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THE MOVEMENT FOR BUDGETARY REFORM IN THE STATES

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STUDIES IN ADMINISTRATION

INSTITUTE FOR GOVERNMENT RESEARCH

THE MOVEMENT FOR BUDGETARY REFORM IN THE STATES

BY

WILLIAM FRANKLIN WILLOUGHBY

DIRECTOR, INSTITUTE FOR GOVERNMENT RESEARCH

D. APPLETON AND COMPANY

NEW YORK LONDON

1918

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THE INSTITUTE FOR GOVERNMENT RESEARCH

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PREFACE

In our volume on The Problem of a National Budget, the attempt was made to do three things: to present an analysis of the problem of a budget; to trace the history of the movement for budgetary reform in the national government; and to point out certain steps which it is believed should be taken by that government with a view to the introduction of a budgetary system as the basis for the administration of its financial affairs. The present volume has for its purpose to do a somewhat similar work for the state governments. In view of the fact that the problem of a budget has been subjected to detailed analysis in the volume relating to the national government, it is unnecessary to attempt such a work here. The problem is substantially the same in both the national and state governments. Differences exist only in respect to the conditions to be met. These differences will be considered in the introductory chapter of the present volume.

As no statement of the nature and functions of a budget is thus attempted in this volume, it is of great importance that the reader should read the chapter bearing upon this subject contained in our other volume. It is impossible intelligently to consider the progress made by anybody in working out a difficult problem until the terms of that problem are clearly understood. Until one knows what is the problem of a budget, what are its elements, and what are the several steps that have to be taken for its solution, a reading of acts passed affords but little information regarding the progress which the passage of such acts really represents. With such a knowledge, one is in a position where he can at once determine whether the framers of an act have had clearly in mind the nature of the problem they were attempting to meet, and the extent to which their action represents a real advance in the right direction. Furthermore, such frequent reference has been made in the pages that follow, where the attempt is made to evaluate the merits of the steps taken by the

several states looking to the introduction of a budgetary system, to the analysis of the budgetary problem as given in the volume on the national budget that it will be difficult for the reader at times to follow the argument of the writer without some knowledge of its contents.

On the other hand, the present volume contains much that will be of interest to persons who are primarily interested in the budgetary problem as it confronts the national government. The two volumes, in fact, constitute companion volumes which can well be read in conjunction with each other.

W. F. WILLOUGHBY.

Institute for Government Research,
Washington, D. C.

July 1, 1918.

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THE MOVEMENT FOR BUDGETARY REFORM IN THE STATES

CHAPTER I

INTRODUCTION: ORIGIN OF MOVEMENT

Of few movements for political reform is it feasible to determine precisely the causes to which it owes its rise or to fix exactly the date of its origin. If one seeks for an explanation of the modern movement, now under full way, for the adoption by the several governing bodies of the United States of a budget as the central and controlling feature of their systems of financial administration, it must be found in a number of more or less distinct movements which have each found in this device an important means for achieving or promoting the object sought.

The Budget as an Instrument of Democracy. Among these first place must be given to that effort continuously being put forth to devise means by which popular government, in the sense that the affairs of government shall be conducted in conformity with the popular will, may become a reality in fact as in name. It is hardly necessary to point out that the popular will cannot be intelligently formulated nor expressed unless the public has adequate means for knowing currently how governmental affairs have been conducted in the past, what are present conditions and what program for work in the future is under consideration. Of all means devised for meeting this requirement no single one approaches in completeness and effectiveness a budget if properly prepared. It at once serves to make known past operations, present condi-

tions and future proposals, definitely locates responsibility and furnishes the means for control. Professor A. R. Hatton is thus justified when he says:

> Above and beyond its relation to economy and efficiency in public affairs it (the budget) may be made one of the most potent instruments of democracy. Given at least manhood suffrage, any government so organized as to produce and carry out a scientific budget system will be susceptible of extensive and intelligent popular control. On the contrary those governments, whatever their other virtues, which fail to provide adequate budget methods will neither reach the maximum of efficiency nor prove to be altogether responsible to the people.
>
> A new spirit in American politics is manifesting itself in the powerful movement for the reform of governmental organization and procedure in the interest of popular control and efficiency. There are naturally many features in the program for the accomplishment of this twofold object. No single change would add so largely to both democracy and efficiency as the introduction of proper budget methods.[1]

The Budget as an Instrument for Correlating Legislative and Executive Action. Closely associated with this demand that more effective means be provided by which the popular will and the principle of popular control may be made effective is the feeling that the present working conditions of our legislative bodies and particularly their relations to the executive branch of government are far from satisfactory. The conviction has been growing that a mistake has been made in seeking to make of our legislatures boards of directors to concern themselves with the details of the activities, organization and methods of business of administrative services; that the true function of the legislature should be that of acting as an organ of public opinion in the larger sense and as the medium through which those concerned with the actual administration of affairs should be supervised, controlled and held to a rigid

[1] Foreword to Public Budgets, Annals of the American Academy of Political and Social Science, November, 1915.

accountability for the manner in which they discharge their duties.

This has led inevitably to the position that upon the executive should be placed the responsibility for the formulation of work programs and the decision, in the first instance at least, of the means to be employed in the putting of these programs into execution. This would appear to carry with it a great strengthening of the executive at the expense of the legislative branch of government. So it does in one sense. It is a canon of administrative science, however, that when discretionary powers and authority are increased a corresponding increase should be made in the means of controlling and supervising the manner in which these augmented powers are exercised. If legislatures are to surrender to the executive increased powers in respect to the conduct of administrative affairs they must strengthen the means by which they may assure themselves that these powers are properly exercised. There are two methods by which superior direction, supervision and control may be exerted, by specification in advance, or, by the establishment of a proper accounting and reporting system, by establishing means through which full information may be currently available regarding the manner in which delegated authority is being exercised. Legislatures are being asked to give up the first method of control. If they do so it is imperative that the conditions stated in the second alternative should be met.

It is at this point that the demand for the adoption of a budget finds its place as an integral part of the movement for the improvement of the working relations between the two branches of government. In the budget is to be found far the most effective means that has as yet been devised whereby larger responsibility for the formulation and execution of financial and work programs may be conferred upon the executive and yet the latter be held to a more rigid accountability for the manner in which this responsibility is discharged. In a very true sense, therefore, the movement for the adoption of

budgetary systems by our governing bodies is an integral and essential part of the whole greater movement for the accomplishment of governmental reforms generally.

The Budget as an Instrument for Securing Administrative Efficiency and Economy. Still another movement which has logically resulted in the demand for budgetary reforms is that for placing the purely technical methods of governmental organization and administration upon a more efficient and economical basis. The question has been raised as to whether there are any inherent reasons why government officers should not be held to the same standards of efficiency and honesty as are demanded in the business world. The demand that they should be has become more insistent as the tasks imposed upon governments have become more numerous and complex and, in many cases, more nearly similar to the character of the tasks which private corporations are called upon to perform. In the business world it is recognized that no undertaking of magnitude, certainly none performed under a corporate form of organization, can be efficiently administered which does not have a system of accounts and reports that will permit the directing body, the board of directors, and the stockholders, to secure a clear picture of past operations, present conditions and future programs of activities. In all proposals looking to the reform of methods of business of governmental bodies, chief attention has consequently been placed upon the demand for the improvement of the methods by which their financial affairs are conducted. It is inconsistent to the last degree that governments should insist that corporations controlled by them should have systems of accounting and reporting corresponding to the most approved principles of modern accountancy while not providing for equally efficient systems for the management of their own financial affairs. The demand for improved methods of public administration has thus inevitably centered primarily upon the demand for improved methods of financial administration and, in order that this may be secured, upon the specific demand for the adoption

of a budgetary system as the central feature of such improved system.

Use of Budget First Demanded as a Feature of Municipal Reform. Turning now to a history of the movement itself the point of departure must be found in the great movement which has been so much in evidence during the present generation, for the improvement of methods of municipal administration. After repeated disappointments persons interested in municipal reform came to an appreciation that permanent reform was not to be accomplished by the putting in the field of citizens tickets and the ousting of officials who subordinated the public good to private gain. More and more it was borne in upon them that if lasting improvements were to be effected, the system of municipal government itself and methods of administration had to be changed, that there must be established principles of administration and means of direction, supervision and control that would automatically, as it were, result in better administration or at least make it possible for all interested parties to determine, without the necessity for special investigations, whether affairs were being efficiently and economically administered or the reverse. It was found, in a word, that the problem had to be attacked from the technical as well as the moral standpoint.

This change in the method of approach found expression not only in the altered character of the work attempted by such organizations as the National Municipal League, but in the appreciation that a thorough study of the technical problems of municipal administration with a view to the formulation of concrete measures of reform could only be successfully undertaken by permanent organization specially established and with a technically competent staff to undertake this work. Appreciation of this led to the creation by public spirited individuals of the large number of bureaus of municipal research which have contributed so powerfully during recent years to the improvement of methods of municipal administration in the United States. This is not the place to attempt

any general characterization of the work of these bodies. It is only necessary for us to say that these bureaus have almost without exception concentrated a large part of their attention upon problems of financial administration and that all, likewise without exception, have bent their energies towards the securing by the cities with whose operations they concerned themselves of a budgetary system. This action was in large measure predicated upon the proposition that a municipality partakes in large measure of the characteristics of an ordinary business corporation and should be operated as such. This has meant that there should be employed by it the methods and agencies which have been found indispensable to the efficient operation of large business corporations. This view accepted, the demand at once arose that the expenditures of the city should be brought into direct relation to its possible or actual revenues and be based upon estimates and recommendations emanating from the spending departments. The advantage was at once seen of having the estimates and recommendations thus made by the several administrative services submitted to some central executive organ vested with authority to revise and reduce them when necessary and to bring them into due relation and proportion to one another. This was seen to be essential since spending departments are concerned primarily each in its own activities and are, therefore, interested in getting the largest possible allotment of funds from the general treasury. If the latter is to be protected and the relative as well as the absolute utility of different classes of work is to be determined some organ must exist within the administration which is not itself a spending department but has the special function of balancing demands of spending departments and of protecting the general treasury from the demands being made upon it beyond its resources.

This fundamental feature was appreciated by municipal [illegible]rmers prior to the establishment of bureaus of municipal pr[illegible]ch. Thus the National Municipal League as early as this

1899 included in its draft of a model municipal corporation act a section providing that:

> It shall be the duty of the Mayor from time to time to make such recommendations to the Council as he may deem to be for the welfare of the city and on the —— day of ——— in each year to submit to the Council the annual budget of current expenses of the city, any item in which may be reduced or omitted by the Council; but the Council shall not increase any item in nor the total of said budget.

The course of budgetary reform in municipalities was also materially promoted by the Bureau of the Census through the continuous pressure which it exerted upon municipalities to improve their methods of accounting and reporting and especially through the standard classification of municipal expenditures which it worked out in connection with experts representing the accounting profession and the National Municipal League. In later years the development of the commission and city manager types of municipal government, and the policy adopted by a number of the leading cities in their recent charter revisions to provide for boards of estimates among whose functions the most important duty was that of passing upon and revising estimates as originally framed by the spending departments, have likewise contributed powerfully to the promotion of budgetary reform. These all represent the definite adoption of the most fundamental principle of a budget that there should be a central budget framing organ to stand between the estimating departments and the fund-granting authority. In few, if any, cases, however, has the principle been adopted of vesting final authority in respect to the framing of a budget in the chief executive officer.

After all is said, however, to the bureaus of municipal research and allied organizations established by boards of trade and other citizen agencies belongs the chief credit for the persistent demand that a budget be made the foundation stone of the system of financial administration of all municipalities.

Not only have they urged this without ceasing but they have done a large amount of work in the way of working out and installing systems of financial administration in various cities resting on this basis.

Movement for Budgetary Reform Carried Over to the States. It was inevitable that the movement for budgetary reform in municipalities, once fairly under way, should be carried over to efforts looking to the improvement of state governments. Every reason dictating the necessity for this reform in the case of municipalities existed with increased force in the case of these governments. Here the conditions to be met, however, were much more difficult than those obtaining in the case of municipal governments. Broadly speaking, the administrative branch of municipal governments corresponds to the integrated type of organization, with the mayor at the head as administrator in chief. It has been pointed out in our consideration of the nature and functions of a budget [1] how essential is this form of organization to the proper operation of a budgetary system. It is unfortunate, both from the standpoint of budgetary reform and that of good administration generally, that this condition obtains in but few, if any, of the states. As is well known, in most if not all of the states the administrative branch consists of a large number of practically independent services. Only in small degree has the governor any positive powers of direction or any adequate power to control. The line of authority runs direct in each case to the legislature; and the authority of this body is often limited by the fact that the heads of these services owe their election to office, not to it, but to the people. It results from this that in the case of most, if not all, of the states the problem of the introduction of a thoroughly efficient budgetary system involves that of fundamentally recasting their systems of government.

As regards the methods actually in force for the determining and making provision for the financial needs of the

[1] The Problem of a National Budget, p. 1-29.

government, conditions in the states were also extremely unsatisfactory.

Writing no later than 1916 a leading student of our state governments thus characterized the practices then prevailing in the appropriation of funds:[1]

> Each department of administration ordinarily reports directly to the legislature upon the expenditure of its appropriation, and transmits in the same manner its estimates of the appropriations necessary and proper for the ensuing year, or, in the case of states where the legislature meets biennially, two years. Ordinarily neither the governor nor any other executive officer has anything to do with any departmental estimates save his own. * * *
>
> The legislatures refer the departmental reports and estimates to standing committees. The practice differs in different states. In some there are several committees with jurisdiction over different classes of appropriations. In others all appropriation bills must be referred to a single committee. In some states there are separate appropriations committees in each house. In others there is a single joint committee. In some states bills that carry appropriations, not required to cover departmental estimates, may be reported by various committees, without consultation either with the departments concerned or with the appropriation committee. In most states such bills must be referred before final action by the house to the appropriation committee. Thus there is some centralized control over the appropriation bills in most legislatures. But the department heads must appear before the appropriation committee and demonstrate the necessity and propriety of the appropriations for which they have asked. They appear independently, each working solely for his own department, and responsible in no way for other departments or for the size of the state appropriations as a whole. Since every active department head normally wants to expand the services of his own department and is likely to overrate its importance as compared with others, departmental estimates tend to increase year by year, without much regard to the general growth of public expenditures and revenues. Thus the legislature is confronted with the difficult task of reducing

[1] Holcombe, State Government in the United States, p. 332 ff.

the estimates in order to keep the total appropriations within reasonable compass. This task is made more difficult by the number and magnitude of the special and local appropriations which many districts want their representatives to procure for them in addition to the appropriations for regular departmental work.

This system inevitably breeds extravagance and inefficiency. The departmental reports ordinarily present no clear picture of the fiscal operations of the state as a whole, the estimates of the various department heads are likely to be excessive, and their recommendations unrelated to one another or to any coördinated administrative policy. The officer, if any, who collects the estimates and transmits them to the legislature has no control over them, the department heads themselves have no constitutional right to defend their estimates, and in practice the legislature may disregard them. The result tends to be perfunctory work on the part of the state fiscal officers. Intelligent planning for the future by the administration is almost impossible. Even the balance of current appropriations and revenues is made difficult.

The states have sought to correct these evils by constitutional limitations upon the power to contract debts, but such remedies are unsatisfactory. They do not necessarily curb extravagance and waste. They may merely operate to curtail important activities of the state administration, whilst money is squandered upon objects in which the legislature may be more directly interested. Under such circumstances the departments with the most political influence are likely to receive the most favorable treatment at the hands of the legislatures. If that influence is created by the use of departmental funds in accordance with the desires of influential members of the legislature or party leaders, politics and administration become confused to the detriment of the public interest. * * *

A tendency has recently appeared in various states to strengthen executive control of appropriations by introducing the principle of the budget. A budget is a set of estimates for all administrative departments, prepared, upon the basis of the reports of the department heads, by a single executive officer or board. * * * In most of the states the traditional system of appropriations remains in full force. Under this system the control of appropriations in the first instance

rests with the legislative leaders, above all with the chairman and members of the committee on ways and means or appropriations. Through their control over appropriations they exercise more real influence upon the actual conduct of state administration than the governor himself. They, rather than he, are the actual heads of the state administration. In other words, if the governor may be said to be the chief legislator of the state, the house chairman of ways and means may be regarded as the chief administrator.

Notwithstanding the magnitude of the undertaking, involving as it does the recasting of the political systems of the states in respect to the distribution of powers, the reorganization of the administrative branch of government, and the radical reform of methods of estimating and making provision for the financial needs of the government, it is one upon which the states have vigorously entered. Though inaugurated later than the corresponding movement for budgetary reform on the part of municipalities, it is now progressing at a far greater rate. So widespread is it, and so important are the steps that have already been taken that one is fully justified in stating that a general movement for the accomplishment of this reform exists throughout the United States.

In the pages that follow the attempt is made to trace in broad outlines the progress of this movement. It is highly desirable that we should do so since, though the problem is one that has to be worked out for each government separately, the principles underlying the action to be taken are in all cases the same, and the progress made by one government furnishes a basis of experience that may be availed of by all. Each step made, moreover, strengthens the demand for corresponding action on the part of other bodies.

Nature of the Problem. Before entering upon an account of this movement, as evidenced by the action taken by the several states, it is desirable that two things should be made known: first, the nature of the problem, and second, the conditions confronting the states in their efforts to work out this problem.

BUDGETARY REFORM IN THE STATES

As we have pointed out in our preface to the present volume, the problem of a budget, as a problem, has been subjected to detailed analysis in our companion volume, "The Problem of a National Budget." To reproduce this analysis here would involve a repetition that is scarcely justified. The reader is accordingly referred to our discussion of the subject, as there given, to which it is desired to add the urgent suggestion that this account be read before a consideration of the account given in the following pages of the action taken by the several states in the way of budgetary reform is entered upon. Only as one has firmly in mind the analysis there made can one follow with full understanding the criticism here made of the significance of the action that has been taken by each state. Contenting ourselves, therefore, with this reference, we now turn to a consideration of the conditions confronting the states in their attempts to work out this problem.

In broad outline it may be stated that budgetary reform in the states requires progress along three lines: the establishment of an integrated administrative system; the requirement that the governor, as head of this system, shall prepare and submit to the legislature a consolidated financial statement, or budget, setting forth the financial operations of the government in the past, present treasury conditions and his revenue and expenditure program for the ensuing fiscal period; and the reform of legislative procedure governing the consideration and taking action upon such proposals. A complete history of budgetary reform in the states would thus require a consideration of the progress that has been made in each of these three directions.

For reasons which must be apparent it will not be feasible for us here to attempt to set forth in detail the whole history of administrative reform in the several states. Though reform in this field constitutes, as we have indicated, an essential feature of budgetary reform, since without a properly integrated system of administration a real budgetary system cannot be established, nevertheless much that has been done in

this direction has not had for its purpose the establishment of a budgetary system. The movement for administrative reform, in a word, has had an independent history, and it was not until the rise of the modern movement for budgetary reform that the close connection between the two was seen. All that we can hope to do here, therefore, is to point out, in general terms, some of the more significant features of this movement for administrative reform, and, in our detailed consideration of the movement for budgetary reform in the states individually, to consider those steps which have been taken in direct conjunction with action having for its purpose the establishment of a budgetary system.

As regards the more significant features of the movement for administrative reform generally, first mention should be made of the movement for making the governors of states the legal and actual heads of the administrative branch of the government. The accomplishment of this important reform means the radical recasting, in most cases, of the political system of the states. It means, in the first place, the abandonment of the system of selecting the heads of administrative departments and other important officers by means of the ballot, and the establishment of the system under which these officers will hold office through appointment by the governor. Correlative with this will be the definite establishment of the principle that these officers are the administrative subordinates of the governor and, as such, subject at least to the latter's general direction, supervision and control. This is the reform which is sought by the widespread demand for what is known as the short ballot.

Another reform having in view the same end of bringing into existence an integrated administrative system is that having for its purpose the establishment of a uniform system of accounting and reporting for all state services. Without such a system it is impossible for the governor effectively to exercise his functions as administrator in chief or to prepare a properly constructed budget, or for the legislature intel-

ligently to determine the manner in which funds granted in the past have been expended or reach a decision in respect to what funds shall be granted for the future. The establishment of such a system means that authority shall be granted to some officer or board to prescribe the system of accounting and reporting that shall be employed by all state departments and institutions, and to make such examinations of the manner in which the financial affairs of these bodies are being conducted as will ensure that these regulations are being properly obeyed, that revenues are being properly collected, and that expenditures are being made with due economy and efficiency.

Steady progress has been made in recent years in this direction. When adequate powers were not vested in the auditor or some other officer of the state to prescribe and control accounting and reporting methods, the deficiency has been corrected; and when powers of this character were already possessed by some officer but were not exercised, steps have been taken to see that they were. In many cases, as will be seen by reference to the acts reproduced in our consideration of budgetary reform in the states individually, provision has been made for the establishment in the office of the auditor or comptroller of a special division of inspection and control for the performance of this duty.

Still another very significant movement has been that for the establishment of strong central organs of financial or general administrative control. These organs are of two kinds: those having jurisdiction over the operation of institutions, as distinguished from administrative departments, and those having authority in respect to the latter or to both classes. These bodies indiscriminately are usually designated as state boards of control, and only a reading of the acts regarding them will determine the scope of their powers. The movement for the establishment of state boards of control having jurisdiction in respect to state institutions, that is, ones supported in whole or in part by state appropriations, preceded that for the creation

of boards having authority in respect to administrative departments and has proceeded much further. It has, in fact, gone so far that it may be stated that it is now the settled policy of probably the majority of the states to make use of a body of this character for the purpose of exercising a supervision and control over institutions receiving a grant of funds from the state treasury.

The creation of these bodies is of great significance from the standpoint of budgetary control since they constitute effective organs for the prescribing of the system of financial management that shall be employed by these institutions and for revising and correlating their demands for appropriations. Their creation thus means an important step towards the devising of a proper budgetary system for the states.

Of still greater significance is the creation of boards of the second character, those having a like jurisdiction and authority over the regular administrative departments. These bodies have made an appearance later than those of the first class and their establishment may be deemed to be an integral part of the modern budgetary reform movement. They furnish the organ for the administration of a budgetary system which has been shown to be such an essential step if adequate provision is to be made not only for the introduction of a proper budgetary system but its proper operation after it is introduced.

Finally, many state legislatures have taken vigorously in hand the matter of reforming their rules of procedure governing the consideration and enactment of appropriation bills. Action in this direction likewise constitutes an essential part of the general movement for budgetary reform. As will be seen when the action of the states is considered individually, the same statutes in many cases relate to this matter as well as to that of the formulation and presentation of a budget.

CHAPTER II

BUDGETARY LEGISLATION BY THE INDIVIDUAL STATES: MARYLAND, UTAH, NEW MEXICO

Maryland. Budgetary reform in Maryland is of especial interest from two standpoints: it is the first state definitely to adopt the principle of an executive budget by means of an amendment to its constitution; and this reform was accomplished as the result of a political campaign in which this was a prominent issue.

In 1915 it became apparent that appropriations had been made on such a scale by the legislature that funds were not available to meet authorized liabilities. Mr. Harvey S. Chase, a certified accountant, was appointed to make an investigation of the finances of the state, and his report showed that on September 30, 1915, the state treasury was confronted with a deficit of $1,446,555.81.[1] As a result of this exposure the Democratic Party inserted in its platform for the campaign of the election of the governor and other state officers in 1915 the following plank pledging the party, if successful, to take steps looking to the introduction of a budgetary system as the only adequate means of preventing a recurrence of existing unsatisfactory conditions.

> We pledge the adoption of what is known as the Budget System. The basis of the system shall be a report made either by the Governor or by the Board of Public Works to the Legislature of the estimated income of the state during the succeeding two years, together with recommendations as

[1] Report to Hon. Emerson C. Harrington, Comptroller of the Treasury concerning the Financial Condition of the State by Harvey S. Chase, *See* Municipal Research, No. 73, p. 30.

to the appropriations or expenditures to be made for all purposes during the same period of time. The Legislature may reduce or eliminate the items for appropriations or expenditures (except when this would affect the state's outstanding obligations) but shall not increase the same, and no appropriations shall be expended for any purpose other than the purpose specified in the Budget. Proper provision shall be made for emergencies or contingencies.

Until the Budget System can be made effective we pledge the Democratic members of the Legislature to keep the expenses of the state within the income of the state, and the Governor to exercise his veto power for the same purpose.

In connection with the Budget System, we favor the adoption of a uniform fiscal year for all state officers and departments and for all institutions receiving state aid. We recommend that all continuing appropriations be repealed and that hereafter all appropriations shall be included in two general appropriation bills, one for each of the two fiscal years intervening between the adjournment of one Legislature and the convening of the next.

The Commission created by the First Plank of this Platform shall be charged with the duty of devising and recommending a detailed plan for the Budget System.

The Republican platform likewise endorsed the budget plank and practically all the issues raised by the Democratic plank that has just been quoted. The Democratic Convention, however, took the unusual step of naming a commission of distinguished citizens of the state, with President Frank J. Goodnow as its chairman, to formulate a specific program for the accomplishment of the reform to which the party had pledged itself.

This commission made a brief, but exceptionally able, report which was incorporated in the "Senate Journal," in which it held that the reform could only be accomplished by way of constitutional amendment and submitted the draft of an amendment to the constitution that would accomplish the purpose.[1]

[1] Report of Commission on Economy and Efficiency of the State of Maryland, 1916 Senate Journal, January 28, 1916, pp. 129-132.

This draft of an amendment was passed by the legislature unanimously, it not being made a party matter, substantially in the form in which it was prepared by the commission on March 28, 1916; and on November 7 of the same year was ratified by the people by the large vote of 77,478 to 38,100.

The following statement of the commission that drafted the amendment, regarding the purposes they sought to accomplish through the amendment, is of interest as bringing out in brief compass the more fundamental features of the change:

Our thought in drafting the proposed amendment has been:

First. To impose upon the Governor the sole responsibility, within the limits of the Constitution and the provisions of existing law, of presenting to the legislature a complete and comprehensive statement of the needs and resources of the State based upon:

a. Estimates made by those applying for State moneys;
b. Evidence brought out at public hearings on those estimates; and
c. Administrative revision by the Governor of all estimates except those for the Legislature and the Judiciary and for purposes for which provision has been made by the Constitution or existing law.

Second. To make it impossible for the Legislature so to change the plans proposed by the Governor as to produce a deficit; but

Third. To permit the Legislature to make provision for any purpose not included in the Governor's plan on the condition that it provide also for the revenue which the accomplishment of its purpose necessitates.

Fourth. We have not attempted in the amendment proposed to deal with existing continuing appropriations. We have felt that it would be improper to repeal such appropriations by constitutional provision. Indeed, so far as a continuing appropriation is a part of a contractual obligation, as for example, a continuing appropriation for interest and sinking fund for the State debt, a repeal of such an appropriation in the State Constitution would be unavailing since it would contravene that provision of the United States Constitution which forbids a State to pass any law impairing the obligation of a contract.

We have, however, provided in the amendment submitted that the Legislature may from time to time enact such laws not inconsistent with the amendment as may be necessary and proper to carry out any of its provisions. Under this clause the Legislature may repeal all continuing appropriations not of a contractual character. Such a policy it is to be remembered is approved by the platform of the party under the instructions of which this Commission has been working. It is, however, a policy which should be realized rather by legislation than by constitutional provision.

Out of abundant caution and in order to carry out the purpose of the platform to protect the "State's outstanding obligations" we have left it in the power of the Legislature to pass at any time and in the usual manner an appropriation bill for the payment of all the State's obligations protected by the provision of the Constitution of the United States forbidding a State to pass any law impairing the obligation of contracts.

It will be noted that no effort was made to curtail by means of that amendment the evils of continuing appropriations. That the practice of providing for the support of services and institutions by means of continuing appropriations is an evil, and that it represents a serious infraction of the general principle that a budget should get before the legislature at one time the whole program of expenditures, is evident from the following comment of the Governor of Maryland regarding this matter.[1]

Some legislator interested in any institution of learning, hospital, beneficent or charitable institution or organization would procure an appropriation for it, and would have it marked "annual," and it would go on forever, would not have to pass the gauntlet of the next Legislature, and in a year or so the institution would ask for more and get more, and few, if any, of the present legislators would know of the old appropriation. Some of these continuing appropriations had been passed and arranged for over 100 years ago, so that with the special bills appropriating money, and with all these continuing

[1] The Executive Budget, by Gov. Emerson C. Harrington of Maryland, Governors' Conference Proceedings, 1916, pp. 28-29.

appropriations the *General Appropriation or Omnibus Bills* would be far short of showing the total expenses or appropriations of the State Government. Several attempts had been made before to repeal those acts calling for continuing appropriations but they had always "died-a-borning." For behind the continuing appropriations all the lobbying elements, benefited interests, and forces of obstruction entrenched themselves for defence.

Governor Harrington states, however, in the speech from which the foregoing is quoted, that the legislature in fact repealed most if not all of the acts authorizing continuing appropriations of this character.

In concluding the account of the progress made by Maryland in putting the system of financial administration upon a budgetary basis, it should be pointed out that much yet remains to be done to make the system thoroughly effective. The system of auditing, accounting and reporting must be revised so as to develop automatically the information required for budgetary purposes. The position of the Governor as administrator in chief with adequate powers to supervise and control subordinate administrative officers must be more firmly established and recognized. And, finally, more definite provision must be made for a budgetary organ which, acting as the direct agent of the Governor, will enable the latter more effectively to keep in touch with the organization, activities and procedure of the several administrative departments and to discharge the burden of responsibility laid upon him of recommending in detail the provision that should be made each year for the conduct of these services.

The importance of this amendment, constituting as it does a landmark in the history of budgetary reform in the United States, warrants its reproduction in full:

Article III, Section 52. Constitution of Maryland, regulating the making of appropriations by the General Assembly of Maryland. Amendment adopted November 7, 1916.

BUDGETARY LEGISLATION

The General Assembly shall not appropriate any money out of the Treasury except in accordance with the following provisions:

Sub-Section A:

Every appropriation bill shall be either a Budget Bill, or a Supplementary Appropriation Bill, as hereinafter mentioned.

Sub-Section B:

First. Within twenty days after the convening of the General Assembly (except in the case of a newly elected Governor, and then within thirty days after his inauguration), unless such time shall be extended by the General Assembly for the session at which the Budget is to be submitted, the Governor shall submit to the General Assembly two budgets, one for each of the ensuing fiscal years. Each budget shall contain a complete plan of proposed expenditures and estimated revenues for the particular fiscal year to which it relates; and shall show the estimated surplus or deficit of revenues at the end of such year. Accompanying each budget shall be a statement showing: (1) the revenues and expenditures for each of the two fiscal years next preceding; (2) the current assets, liabilities, reserves and surplus or deficit of the State; (3) the debts and funds of the State; (4) an estimate of the State's financial condition as of the beginning and end of each of the fiscal years covered by the two budgets above provided; (5) any explanation the Governor may desire to make as to the important features of any budget and any suggestion as to methods for the reduction or increase of the State's revenue.

Second. Each budget shall be divided into two parts, and the first part shall be designated "Governmental Appropriations" and shall embrace an itemized estimate of the appropriations: (1) for the General Assembly as certified to the Governor in the manner hereinafter provided; (2) for the Executive Department; (3) for the Judiciary Department, as provided by law, certified to the Governor by the Comptroller; (4) to pay and discharge the principal and interest of the debt of the State of Maryland in conformity with Section 34 of Article III of the Constitution, and all laws enacted in pursuance thereof; (5) for the salaries payable by the State under the Constitution and laws of the State; (6) for the establishment and maintenance throughout the State of a thorough and

efficient system of public schools in conformity with Article VIII of the Constitution and with the laws of the State; (7) for such other purposes as are set forth in the Constitution of the State.

Third. The second part shall be designated "General Appropriations," and shall include all other estimates of appropriations.

The Governor shall deliver to the presiding officer of each house the budgets and a bill for all the proposed appropriations of the budgets clearly itemized and classified; and the presiding officer of each house shall promptly cause said bill to be introduced therein, and such bill shall be known as the "Budget Bill." The Governor may, before final action thereon by the General Assembly amend or supplement either of said budgets to correct an oversight or in case of an emergency, with the consent of the General Assembly by delivering such an amendment or supplement to the presiding officers of both houses; and such amendment or supplement shall thereby become a part of said budget bill as an addition to the items of said bill or as a modification of or a substitute for any item of said bill such amendment or supplement may affect.

The General Assembly shall not amend the budget bill so as to affect either the obligations of the State under Section 34 of Article III of the Constitution, or the provision made by the laws of the State for the establishment and maintenance of a system of public schools, or the payment of any salaries required to be paid by the State of Maryland by the Constitution thereof; and the General Assembly may amend the bill by increasing or diminishing the items therein relating to the General Assembly, and by increasing the items therein relating to the judiciary, but except as hereinbefore specified, may not alter the said bill except to strike out or reduce items therein, provided, however, that the salary or compensation of any public officer shall not be decreased during his term of office; and such bill when and as passed by both houses shall be a law immediately without further action by the Governor.

Fourth. The Governor and such representatives of the executive departments, boards, officers and commissions of the State expending or applying for State's moneys, as have been designated by the Governor for this purpose, shall have the right, and when requested by either house of the Legislature, it shall be their duty to appear and be heard with respect to any

budget bill during the consideration thereof, and to answer inquiries relative thereto.

Sub-Section C: Supplementary Appropriation Bills:

Neither house shall consider other appropriations until the Budget Bill has been finally acted upon by both houses, and no such other appropriation shall be valid except in accordance with the provisions following: (1) Every such appropriation shall be embodied in a separate bill limited to some single work, object or purpose therein stated and called herein a Supplementary Appropriation Bill; (2) Each Supplementary Appropriation Bill shall provide the revenue necessary to pay the appropriation thereby made by a tax, direct or indirect, to be laid and collected as shall be directed in said Bill; (3) No Supplementary Appropriation Bill shall become a law unless it be passed in each house by a vote of a majority of the whole number of the members elected; and the yeas and nays recorded on its final passage; (4) Each Supplementary Appropriation Bill shall be presented to the Governor of the State as provided in Section 17 of Article II of the Constitution and thereafter all the provisions of said Section shall apply.

Nothing in this amendment shall be construed as preventing the Legislature from passing at any time in accordance with the provisions of Section 28 of Article III of the Constitution and subject to the Governor's power of approval as provided in Section 17 of Article II of the Constitution an appropriation bill to provide for the payment of any obligation of the State of Maryland within the protection of Section 10 of Article I of the Constitution of the United States.

Sub-Section D: General Provisions:

First. If the Budget Bill shall not have been finally acted upon by the Legislature three days before the expiration of its regular session, the Governor may, and it shall be his duty to issue a proclamation extending the session for such further period as may in his judgment be necessary for the passage of such Bill; but no other matter than such Bill shall be considered during such extended session except a provision for the cost thereof.

Second. The Governor for the purpose of making up his budgets shall have the power, and it shall be his duty, to require from the proper State officials, including herein all

executive departments, all executive and administrative offices, bureaus, boards, commissions and agencies expending or supervising the expenditure of, and all institutions applying for State moneys and appropriations, such itemized estimates and other information, in such form and at such times as he shall direct. The estimates for the legislative department, certified by the presiding officer of each house, of the judiciary, as provided by law, certified by the Comptroller, and for the public schools, as provided by law, shall be transmitted to the Governor, in such form and at such times as he shall direct, and shall be included in the budget without revision.

The Governor may provide for public hearings on all estimates and may require the attendance at such hearings of representatives of all agencies, and of all institutions applying for State moneys. After such public hearings he may in his discretion revise all estimates except those for the legislative and judiciary departments, and for the public schools as provided by law.

Third. The Legislature may, from time to time, enact such laws, not inconsistent with this Section, as may be necessary and proper to carry out its provisions.

Fourth. In the event of any inconsistency between any of the provisions of this Section and any of the other provisions of the Constitution, the provisions of this Section shall prevail. But nothing herein shall in any manner affect the provisions of Section 34 of Article III of the Constitution or of any laws heretofore or hereafter passed in pursuance thereof, or be construed as preventing the Governor from calling extraordinary sessions of the Legislature, as provided by Section 16 of Article II, or as preventing the Legislature at such extraordinary sessions from considering any emergency appropriation or appropriations.

If any item of any appropriation bill passed under the provisions of this Section shall be held invalid upon any ground, such invalidity shall not affect the legality of the Bill or of any other item of such Bill or Bills.

Utah. Utah, on February 21, 1917, passed one of the most comprehensive budget acts that has been enacted by any commonwealth of the United States. This act is modeled closely upon the budget amendment of Maryland. It not only provides that the Governor shall submit to each session of

the legislature a comprehensive budget, with proper supporting statements regarding past revenues and expenditures and existing assets and liabilities of the state, but that its items of appropriation bills based upon this budget, which shall also be prepared by the Governor, shall not be altered by the legislature except by way of elimination or reduction of such items. The act thus provides for an executive budget in the fullest sense of the term. Special care is taken to make it clear that the budget thus formulated shall represent the judgment of the Governor in respect to what sums shall be voted, a clause of its act reading that "the Governor may in his discretion revise all estimates, except those relating to the legislative department, those providing for the payment of the principal and interest of the State debt, and for the salaries and expenditures specified by the constitution and laws of the State."

To ensure the proper working of this system, the act further provides that neither house shall consider any other appropriation, except an emergency appropriation for the immediate expense of the state legislature, until the budget appropriation bill has been finally acted upon by both houses; and that every other proposed appropriation shall be made the subject of a special bill, which shall relate to but a single work, object or purpose, and shall not be valid unless there is free money in the treasury to meet it, as the act carrying it provides for the necessary revenue to meet it through the imposition of a special tax or other means.

Following is a copy of this act:

An Act regulating the making of appropriations by the State Legislature. Approved February 21, 1917. (Acts of 1917, Ch. 15.)

Section 1. Within twenty days after the convening of the State Legislature the Governor shall submit a budget for the two ensuing fiscal years. Said budget shall contain a complete plan of proposed expenditures and estimated revenues for the ensuing biennium. Accompanying said budget shall be a statement showing the revenues and expenditures for the two

fiscal years next preceding; the current assets, liabilities, reserves, and surplus or deficit of the State; the debts and funds of the State; an estimate of the State's financial condition as of the beginning and end of the biennium covered by the budget; and any explanation the Governor may desire to make as to the important features of the budget and any suggestion as to methods for the reduction or increase of the State's revenue.

Said budget shall embrace an itemized estimate of the appropriations for the State Legislature as certified to the Governor by the President of the Senate and the Speaker of the House; for the Executive Department; for the Judiciary Department; to pay and discharge the principal and interest of the debt of the State of Utah; for the salaries payable by the State under the Constitution and Laws of the State; and for such other purposes as are set forth in the Constitution and Laws of the State; and for all other appropriations.

The Governor shall deliver to the presiding officer of each House the budget, and a bill for all the proposed appropriations of the budget, clearly itemized and classified; and the presiding officer of each House shall promptly cause said bill to be introduced therein. The Governor may, before final action thereon by the State Legislature, amend or supplement the budget to correct an oversight, or in case of an emergency, with the consent of the State Legislature, by delivering such amendment or supplement to the presiding officers of both Houses; and such amendment or supplement shall thereby become a part of said budget bill as an addition to the items in said bill or as a modification of or substitute for any item in said bill such amendment or supplement may affect.

The State Legislature may not alter said bill except to strike out or reduce items therein; provided, however, appropriations necessary for the payment of interest or principal due on the public debt shall not be reduced or eliminated; and provided further, that the salary or compensation of any public officer shall not be decreased during his term of office.

Neither House shall consider any other appropriation, except an emergency appropriation for the immediate expense of the State Legislature, until the budget has been finally acted upon by both Houses. Every appropriation in addition to that provided for in the budget shall be embodied in a separate Act and shall be limited to some single work, object or purpose

therein stated. No supplementary appropriation shall be valid if it exceeds the amount in the State Treasury available for such appropriation, unless the Legislature making such appropriation shall provide the necessary revenue to pay such appropriation by a tax, direct or indirect, to be laid and collected as shall be directed by the State Legislature; provided, that such tax shall not exceed the rates permitted under the Constitution of Utah. This provision shall not apply to appropriations to suppress insurrections, defend the State, or assist in defending the United States in time of war.

The Governor, for the purpose of making up said budget, shall have the power, and it shall be his duty, to require from the proper State officials, including all heads of executive and administrative departments and State institutions, bureaus, boards, commissions, and agencies expending or supervising the expenditures of State moneys, and all institutions applying for State moneys and appropriations, such itemized estimates and other information, in such form and at such times as he may direct. The estimate for the legislative department, as certified by the presiding officers of both Houses, shall be included in the budget without revision by the Governor.

The Governor may provide for hearings on all estimates and may require the attendance at such hearings of representatives of State departments and institutions and of other institutions or individuals applying for State appropriations.

The Governor may in his discretion revise all estimates, except those relating to the legislative department, those providing for the payment of the principal and interest of the State debt, and for the salaries and expenditures specified by the Constitution and Laws of the State.

The total appropriations made and expenditures authorized by the budget must not exceed the estimated revenues from taxes, fees, and all other sources for the next ensuing biennium, which estimate shall be furnished the Governor by the State Auditor at least six months prior to the convening of the State Legislature in regular session.

If any item in the budget as enacted shall be held invalid upon any ground, such invalidity shall not affect the budget itself or any other item in it.

Providing, however, that no Act appropriating money passed by the Twelfth Session of the Legislature shall be affected by this repeal.

Sec. 2. All Acts and parts of Acts in conflict with this Act are hereby repealed.

New Mexico. On March 13, 1917, New Mexico passed an act establishing definitely the principle of an executive budget. All services of the government are required to submit their estimates to the Governor. The latter is directed to revise these estimates so as to make them conform to his judgment in respect to what funds should be appropriated and to submit such revised estimates to the legislature as his budget. This budget must cover the revenue as well as the expenditure side of financing the state and be accompanied by proper supporting financial statements showing revenues and expenditures in the past, present assets and liabilities of the state, etc. In form the budget must be so prepared as to permit of easy understanding of the conditions and proposals set forth.

This budget must be accompanied by a draft of an appropriation bill or bills to carry out its provisions which it is the duty of the presiding officers of the two houses to have introduced and referred to the proper committees.

Finally, the act contains the four very important provisions that the Governor and heads of departments and institutions shall have the right to appear before the legislature and be heard in respect to their estimates; that the legislature shall not have the right to increase any items of expenditure contained in the Governor's budget except such as relate to the legislative and judicial branches, though it may reduce or eliminate items; that all other proposed appropriations must be made by separate bills each relating to a single subject; and that no such other appropriation bill shall be considered until final action has been made upon the general budget appropriation bill by both houses.

A copy of this act follows:

An Act providing for a State Budget. Approved, March 13, 1917. (Acts of 1917, ch. 81.)

BUDGETARY LEGISLATION

Section 1. On or before the 30th day of November in each year next preceding the regular biennial session of the Legislature, the Governor shall require from the head of each and every department, institution and agency of the state government through which any of the state funds are disbursed, except the Legislature and Judicial Department, and the head of each and every department, institution and agency of the state except the Legislature and the Judicial Department, shall prepare and submit to the Governor estimates of appropriations required to meet the ordinary financial needs of such department, institution or agency, itemized as the Governor may require, and a statement in detail of all moneys for which any extraordinary appropriation will be desired, during the ensuing biennium; which estimates shall be classified and grouped according to the relative importance, and in such form and detail as the Governor may require. The Governor will consider such estimates and may hold public hearings thereon, at which hearings he may require the attendance of any officer or employee of any department, institution or agency; and the Governor shall thereupon revise such estimates according to his judgment. Itemized estimates of the financial needs of the Legislature, certified by the presiding officer of each house, and of the Judicial Department certified by the Clerk of the Supreme Court of the State, shall be transmitted to the Governor within fifteen days after the convening of each regular session of the Legislature, for inclusion in the Budget by this act provided for, without revision; but the Governor may make such recommendations with reference to such estimates as he may think proper.

Sec. 2. On or before the 30th day of each regular session of the Legislature the Governor, Auditor and Attorney General shall prepare, and the Governor shall submit to the Legislature, a Budget containing a detailed statement and estimate of all anticipated revenues of the state, and a complete plan of proposed expenditures for the state government during the ensuing biennium. Such Budget shall contain all of the estimates furnished by the several departments, institutions and agencies of the state government, as revised and certified as aforesaid. The Budget shall be accompanied by a bill or bills covering all proposed appropriations, in such form and detail as to afford effective auditing control over expenditures. It shall also set forth measures of taxation, if any, which the

Governor may propose for the increase of state revenues. It shall be accompanied by statements of assets, liabilities, reserves and surplus or deficit, in sufficient detail and in such form as to show the then financial condition of the state, together with a comparison of such financial condition with that existing during the previous biennial period; also statements showing actual revenues and expenditures in detail for the preceding biennium, and such other statements or information as may be necessary for an intelligent consideration and determination of and concerning the executive proposals, by the Legislature and other persons concerned. Prior to final action thereon the Budget may be amended or supplemented. The Budget shall be in such form as to be readily analyzed and understood; it shall be a public document and shall be printed as soon as prepared, and a copy thereof shall be furnished to each member of the Legislature and to the State Auditor, and it shall be given such other publicity as the Governor may deem proper.

Immediately upon the submission of the Budget and the accompanying appropriation bill or bills, the presiding officer of each house shall refer the same to the appropriate committee, and the chairman of each such committee shall thereupon immediately cause such appropriation bill or bills to be introduced in the house of which he is a member.

Sec. 3. For each and every expenditure required by the Budget not properly cognizable in the general appropriation bill, the Governor shall cause to be prepared and submitted a separate appropriation bill. During the consideration of any appropriation bill so submitted with the Budget the Governor and the heads of all departments, institutions and agencies of the state concerned, shall have the right to appear and be heard by the Legislature, or either house thereof, in connection therewith. The Legislature shall not increase the amount of any item covered by appropriation bills as submitted by the Governor, other than those covering items for the Legislature or the Judicial Department, but may strike out or reduce any item or items contained therein. The Legislature shall not consider further or other appropriations until the appropriation bills submitted by the Governor shall have been finally acted upon by both houses; and each and all of such further or other appropriations shall then be made by separate bills, each embracing but one subject.

CHAPTER III

BUDGETARY LEGISLATION BY THE INDIVIDUAL STATES: VIRGINIA, DELAWARE

Virginia. In the preceding chapter consideration has been had of the legislation of three states which have not only provided for an executively formulated budget but one whose items may not be increased by the legislature. The present chapter deals with the legislation of two states which have taken advanced ground in respect to the establishment of the principle of an executively formulated budget, but do not go so far as to place limitations upon the right of the legislature to modify budgetary proposals.

By an act approved March 16, 1916, Virginia provided for the appointment of a Commission on Economy and Efficiency which should have the duty of making a careful study of the organization and methods of business of the state and of reporting what changes, in its opinion, were required in order to put the administration of the state's affairs upon a more efficient and economical basis. This commission submitted an exceedingly able report on January 9, 1918. Among its most important recommendations was one urging in strongest possible terms the passage of a law that would give to the state a budgetary system. It said:

In the opinion of the Commission on Economy and Efficiency the one thing that will do more than anything else to place the state government of Virginia on a more business-like basis, would be the introduction of a modern budget system. The establishment of such a system, in addition to placing our public affairs on a more scientific footing, would

bring about many of the departmental changes that should be made.[1]

The commission did not stop with this bare recommendation. It made a careful study of the budgetary legislation of the other states, and upon this study as a basis prepared a draft of a budget law which it included in its report and urged for adoption.

Fortunately, the Governor-elect, Hon. Westmoreland Davis, was a strong supporter of this demand. To no small degree his campaign was made on this issue. In his platform which was printed and widely distributed throughout the state he said:

We should scientifically administer our present State revenue rather than continually seek new subjects of taxation, involving added burdens on our people. To this end I advocate the inauguration of what is known as an "executive budget"—that is, an appropriation bill tentatively prepared by the Governor and submitted to the legislators at the opening of the session of the General Assembly.

The appropriation bill thus presented would be based upon estimates furnished by heads of departments and that of the Auditor of Public Accounts. It would provide a survey of the public effort of the State, its financial condition, its income, and its proposed expenditures. It would offer a study for the public and for the legislature of the working of each department of the State, to the end that their operations may be simplified and economy and efficiency assured.

Of more importance still would be the centering of public opinion upon proposed expenditures. The discussion of the press would engender among our people a healthy interest in our State's finances. This tentative appropriation bill would be persuasive, illuminating, it would not impinge upon the constitutional powers of the legislature.

Few of our citizens realize that our State appropriations are arrived at in the most inartificial fashion; they amount to $15,000,000 for every two years. The General Assembly of Virginia meets in biennial sessions of sixty days; it is over-

[1] Report of the Commission on Economy and Efficiency to the General Assembly, January 9, 1918, p. 26.

[illegible] with [illegible] [illegible] having in hand the [illegible] [illegible] of men of [illegible] [illegible] [illegible] members [illegible] [illegible] [illegible] regular [illegible] [illegible] [illegible] the legislative body, they [illegible] [illegible] [illegible] the influence that the [illegible] [illegible] [illegible] such as the [illegible] [illegible] without enthusiastic [illegible] [illegible] upon the last days of the [illegible] [illegible] met with little if any [illegible] [illegible] wonder at lack of [illegible] [illegible] increased taxation, [illegible] [illegible] and extravagance.

The [illegible] [illegible] [illegible] of high purpose, fair [illegible] [illegible] [illegible] should have the confidence of the people, and the recommendations in regard to the appropriation bill [illegible] [illegible] about those administrative reforms necessary to economical and efficient public service.

An executive budget simply applies to government the principles that obtain in business successfully conducted.

This he followed up by the statement in his inaugural address delivered February 1, 1918: "I earnestly recommend the inauguration of what is known as an executive budget. In my recent appeal to the electorate of Virginia the establishment of such a system which will place the operations of our state government upon a businesslike basis, was a leading feature, and wherever I went I found the people cordial in response to my promise to urge the adoption of this system in Virginia."

The result of this strong support of the movement by both the Commission on Economy and Efficiency and the Governor was that the legislature passed and the Governor approved on February 19, 1918, the budgetary bill prepared by the commission precisely as it had been drafted.

This act thus placed on the statute books must be deemed to be one of the best budgetary laws enacted by any [illegible] of the Union. It is unusually clearly worded so as to [illegible]

no doubt about its purpose to give to the state a thoroughly scientific budgetary system. Especially is great care taken to make clear that the obligation of formulating and submitting the budget rests with the Governor; that the function of that officer is not restricted to reviewing the estimates prepared by others; but that recommendations made by him must represent his own matured judgment after a careful survey of the financial needs of the state. It is expressly provided that before a date named he and his assistants "must have completed a careful survey of all the departments, bureaus, divisions, officers, boards, commissions, institutions and other agencies and undertakings of the state through which he shall be in possession of the working knowledge upon which to base his recommendations to the General Assembly." It is further provided that the budget submitted by him shall be "based on his own conclusions and judgment."

Equal care is taken to ensure that the budget shall be in proper form, and shall be accompanied by proper supporting statements such as those showing revenues and expenditures in the past, current assets and liabilities, an itemized and complete balance sheet, and a general survey of the state's financial condition and resources. Other features are: the ample provision for public hearings by the Governor on all estimates urged for inclusion in the budget; the requirement that the Governor shall submit with his budget a "budget bill"; that the committees of the two houses having in charge the budget bill shall sit jointly in open sessions while considering it, at which sessions all interested parties, including the Governor or his representative and the Governor-elect, shall have the right to be present and be heard; that all bills introduced in either house carrying appropriations shall be itemized in accordance with the classifications used in the budget; and that no bill carrying a special appropriation bill shall be considered by either house until the budget bill has been finally acted upon by both houses, except in case of an emergency which must be clearly set forth in the bill itself.

Finally, provision is made that the Governor shall have the power to employ, and fix the compensation and pay from the civil contingent fund, such budget assistants and other special help as he may require in performing his budgetary duties.

Following is a copy of this act:

An act to provide for the preparation and review of estimates for expenditures and revenue and to establish a budget system for all State departments, bureaus, divisions, offices, boards, commissions, institutions, and other agencies and undertakings receiving or asking financial aid from the State of Virginia. Approved February 19, 1918.

Section 1. Be it enacted by the General Assembly of Virginia, That on or before the first day of November biennially in the odd numbered years each of the several State departments, bureaus, divisions, offices, commissions, institutions, and other agencies and undertakings receiving or asking financial aid from the State of Virginia shall report to the Governor, on official estimate blanks furnished for such purpose, an estimate in itemized form showing the amount needed for each year of the ensuing biennial period beginning with the first day of March thereafter. The official estimate blanks which must be used in making these reports shall be furnished by the Governor, shall be uniform and shall clearly designate the kind of information to be given thereon.

Sec. 2. On or before the first day of December biennially in the odd numbered years the Auditor of Public Accounts shall furnish to the Governor an estimate of the financial needs of the General Assembly, itemized in strict accordance with the budget classifications adopted by the Governor, and certified and approved by the presiding officer of each House, for each year of the ensuing biennial period beginning with the first day of March thereafter; and an estimate of the financial needs of the Judiciary, as provided by law, itemized in strict accordance with the Budget classifications adopted by the Governor, for each year of the ensuing biennial period beginning with the first day of March thereafter.

The Auditor of Public Accounts shall transmit to the Governor with these estimates full and detailed explanations of all increases or decreases. These estimates, together with the ac-

companying explanations of increases and decreases, shall be included in the Budget, without revision, by the Governor.

Sec. 3. On or before the first day of November biennially in the odd numbered years the Auditor of Public Accounts shall furnish to the Governor the following statements classified and itemized in strict accordance with the Budget classifications adopted by the Governor:

(1) A statement showing the balance standing to the credit of the several appropriations for each department, bureau, division, officer, board, commission, institution, or other agency or undertaking of the State at the end of the last preceding appropriation year.

(2) A statement showing the monthly expenditures and revenues from each appropriation account, and the total monthly expenditures and revenues from all the appropriation accounts, including special and all other appropriations, in the twelve months of the last preceding appropriation year.

(3) A statement showing the annual expenditures in each appropriation account, and the revenues from all sources, including expenditures and revenues from special and all other appropriations, for each year of the last two appropriation years, with a separate column showing the increase or decrease for each item.

(4) An itemized and complete financial balance sheet for the State at the close of the last preceding fiscal year ending September thirtieth.

(5) Such other statements as the Governor shall request.

Sec. 4. The departments, bureaus, divisions, officers, boards, commissions, institutions, or other agencies or undertakings of the State, upon request, shall immediately furnish to the Governor, in such form as he may require, any information desired by him in relation to their respective affairs or activities.

Sec. 5. The Governor shall provide for public hearings on any and all estimates to be included in the Budget, which shall be held during the month of November biennially in the odd numbered years. The Governor shall require the attendance at these hearings of the heads or responsible representatives of all State departments, bureaus, divisions, officers, boards, commissions, institutions, or other agencies or undertakings receiving or asking financial aid from the State.

Sec. 6. On or before the first day of December biennially

in the odd numbered years the Governor and his assistants must have completed a careful survey of all the departments, bureaus, divisions, officers, boards, commissions, institutions, and other agencies and undertakings of the State through which he shall be in possession of the working knowledge upon which to base his recommendations to the General Assembly.

Sec. 7. Within five days after the beginning of each regular session of the General Assembly, the Governor shall submit to the presiding officer of each House printed copies of a budget, based on his own conclusions and judgment, containing a complete and itemized plan of all proposed expenditures for each State department, bureau, division, officer, board, commission, institution, or other agency or undertaking, classified by function, character and object, and of estimated revenues and borrowings, for each year in the ensuing biennial period beginning with the first day of March thereafter. Opposite each item of the proposed expenditures the budget shall show in separate parallel columns the amount appropriated for the last preceding appropriation year, for the current appropriation year, and the increase or decease.

The Governor shall accompany the budget with:

(1) A statement of the revenues and expenditures for each of the two appropriation years next preceding, classified and itemized in accordance with the official budget classifications adopted by the Governor.

(2) A statement of the current assets, liabilities, reserves and surplus or deficit of the State.

(3) A statement of the debts and funds of the State.

(4) A statement showing the Governor's itemized estimates of the condition of the State treasury as of the beginning and end of each of the next two appropriation years.

(5) An itemized and complete financial balance sheet for the State at the close of the last preceding fiscal year ending September thirtieth.

(6) A general survey of the State's financial and natural resources, with a review of the general economic, industrial and commercial condition of the Commonwealth.

Sec. 8. The Governor also shall submit to the presiding officer of each House of the General Assembly, at the same time he submits his budget, copies of a tentative bill for all proposed appropriations of the budget, clearly itemized and properly classified, for each year in the ensuing biennial ap-

propriation period, which shall be known as "The Budget Bill."

Sec. 9. The standing committees of the House of Delegates and of the Senate being in charge of appropriation measures shall sit jointly in open sessions while considering the budget, and shall begin such joint meetings within five days after the budget has been submitted to the General Assembly by the Governor. This joint committee may cause the attendance of heads or responsible representatives of the departments, institutions and all other agencies of the State to furnish such information and answer such questions as the joint committee shall require, and to these sessions shall be admitted, with the right to be heard, all persons interested in the estimates under consideration. The Governor, or his representative, and the Governor-elect, shall have the right to sit at these public hearings and be heard on all matters coming before the joint committee.

Sec. 10. The General Assembly may increase or decrease items in the budget bill as it may deem to be in the interests of greater economy and efficiency in the public service, but neither House shall consider further or special appropriations, except in case of an emergency, which fact shall be clearly stated in the bill therefor, until the budget bill shall have been finally acted upon by both Houses. All bills introduced in either House carrying appropriations shall be itemized in accordance with the classifications used in the budget.

Sec. 11. The Governor shall be the chief budget officer of the State, and shall employ competent budget assistants and such special help as he may require to carry out the provisions of this act. The Governor shall fix the compensation of such persons as he shall employ in this connection and cause the same, together with their necessary traveling expenses, to be paid out of the civil contingent fund.

Sec. 12. Any and all acts or parts of acts inconsistent with the provisions of this Act are hereby repealed.

Delaware. On March 15, 1917, Delaware passed an act making careful provision for introduction of a budgetary system. The duty of preparing and submitting the budget is imposed upon the Governor. He is directed to submit a separate budget for each of the two years to be financed by

the biennial general assembly and to support these budgets by statements showing:

(1) The revenues and expenditures of each of the two fiscal years next preceding; (2) The current amounts, liabilities, reserves and surplus or deficit of the State; (3) The debts and funds of the State; (4) An estimate of the State's financial condition as to the beginning and end of each of the fiscal years covered by the two budgets above provided; (5) Any explanation the Governor may desire to make as to the improvement features of any budget and any suggestions as to methods for the reduction or increase of the State's revenue.

An interesting feature of the act is the provision for the careful classification of estimates of expenditures. These estimates, it is provided, shall be first classified under the two heads of: (1) "Government Appropriations," or those which have to do with the running of the government proper, and (2) "All Other Estimates of Appropriations."

The first class, it is further provided, shall be subclassified under the following seven heads:

(1) For the General Assembly as certified to the Governor in the manner hereinafter provided; (2) For the Executive Department; (3) For the Judiciary Department; (4) To pay and discharge the principal and interest of the debt of the State of Delaware, if any; (5) For all salaries payable by the State; (6) For the establishment and maintenance of free public schools of the State; (7) For any other expenses of the State necessary under the constitution.

In another section it is provided that "the estimate for the public schools shall be furnished by the State Board of Education and shall be included in the budget without revision." Over this estimate and that for the legislature the Governor is thus given no power of revision. In respect to all the other estimates the Governor is expected to make the sums requested represent his opinion as to the sums that should be granted. With the two exceptions noted it will thus be seen

that provision is made for a true executively formulated budget.

In respect to the classification of the estimates it is difficult to see why provision should be made for a consolidated statement of estimates for all salaries in one place. It is quite proper that estimates for salaries should be separately shown but it would seem to be preferable that the salary schedules should be shown with and made an integral part of the estimate for each branch or service of the government.

The act contains further interesting provisions regarding the procedure to be followed by the legislature in acting upon the budget. It is thus provided that the Governor shall draft an appropriation bill corresponding to the budget which the presiding officer of each house shall cause to be introduced and which shall be known as "The Budget Bill"; that consideration of this bill shall have priority over all other bills or motions except the motion to adjourn; that the Governor and other officers of departments, boards, etc., for which funds are requested, shall have the right to be heard in respect to their requests; that neither house shall consider any other appropriation until the Budget Bill has been finally acted upon by both houses; that every such other appropriation request "shall be embodied in a separate bill, limited to some single work, object or purpose therein stated," shall be known as a supplemental appropriation bill and shall "by its provisions provide or designate the sources from which the money therein appropriated is to be derived."

As bearing directly upon this latter provision, it is further provided that "The Governor shall include in his Budget, under the title 'General Appropriations' an estimate of the amounts which can be appropriated under miscellaneous appropriations necessary for the welfare of the State and a number of bills carrying sufficient appropriations may be passed to exhaust the miscellaneous fund so estimated, without providing any other source or revenue than the miscella-

neous fund so as aforesaid estimated by the Governor to be available."

It will be seen that this act follows in many respects the budget amendment of Maryland. As in the case of that amendment, the most important feature of budgetary reform that is not covered is that of making adequate provision for a special budgetary organ to serve as the agency through which the Governor may keep in close current touch with the organization, activities, methods of business and needs of the several services, and to assist him in the actual work of framing the budget.

Following is a reproduction in full of this important Joint Resolution:

House Joint Resolution providing for the budget system in appropriations by the present General Assembly. Approved March 15, 1917. (Acts of 1917, Chapter 278.)

WHEREAS it has been the custom in this State for each General Assembly to appropriate large sums of money without regard to the condition of the State Treasury; and

WHEREAS this system has resulted in much confusion and embarrassment to the different departments of the State Government; and

WHEREAS it is the universal desire that the General Assembly shall first provide for the necessary expenses of the State Government for the two ensuing fiscal years;

Therefore be it resolved by the Senate and House of Representatives of the State of Delaware in General Assembly:

Section 1. That the Governor shall be requested to submit to the General Assembly two budgets, one for each of the ensuing fiscal years. Each budget shall contain a complete plan of proposed expenditures and estimated revenues for the fiscal year to which it relates, and shall show the estimated surplus or deficit of revenues at the end of such year. Accompanying each budget shall be a statement showing (1) The revenues and expenditures of each of the two fiscal years next preceding; (2) The current assets, liabilities, reserves and surplus or deficit of the State; (3) The debts and funds of the State; (4) An estimate of the State's financial condition as to the beginning and end of each of the fiscal years covered by the

two budgets above provided; (5) Any explanation the Governor may desire to make as to the improvement features of any budget and any suggestion as to methods for the reduction or increase of the State's revenue.

Sec. 2. Each budget shall be divided into two parts, and the first part shall be designated "Governmental Appropriations" and shall embrace an itemized estimate of the appropriations: (1) For the General Assembly as certified to the Governor in the manner hereinafter provided; (2) For the Executive Department; (3) For the Judiciary Department; (4) To pay and discharge the principal and interest of the debt of the State of Delaware, if any; (5) For all salaries payable by the State; (6) For the establishment and maintenance of free public schools of the State; (7) For any other expenses of the State necessary under the Constitution.

Sec. 3. The second part shall be designated "General Appropriations" and shall include all other estimates of appropriations. The Governor shall deliver to the presiding Officer of each House the budgets, and a copy of a bill for all the proposed appropriations of the budget, clearly itemized and classified, and the Presiding Officer of each House shall promptly cause such bill to be introduced therein, and such bill shall be known as "The Budget Bill." The Budget Bill shall have priority over all other bills or motions, except the motion to adjourn. The Governor may, before final action thereon by the General Assembly, amend or supplement either of said budgets, to correct an oversight, or in case of an emergency, with the consent of the General Assembly, by delivering such an amendment or supplement to the Presiding Officers of both Houses; said amendment or supplement shall thereby become a part of said Budget Bill as an addition to the items of said Bill, or as a modification or substitution for any item of said bill, such amendment or supplement may affect. The General Assembly may amend the bill by increasing or diminishing the items therein, in any way that is not contrary to the Constitution of the State of Delaware.

Sec. 4. The Governor and such representatives of the Executive Department and of other departments, Boards, Officers and Commissions of the State, expending or applying for State's moneys, shall have the right to be heard with respect to any budget bill, during the construction thereof, and to answer inquiries relative thereto.

BUDGETARY LEGISLATION

Sec. 5. Neither House shall consider other appropriations until the Budget Bill has been finally acted upon by both Houses, and no such other appropriations shall be passed by either House, except in accordance with the provisions following:

(1) Every such appropriation shall be embodied in a separate bill, limited to some single work, object or purpose therein stated, and called herein a supplementary appropriation bill. Each supplementary appropriation bill shall, by its provisions, provide or designate the source from which the money therein appropriated is to be derived.

Sec. 6. The Governor, for the purpose of making up his budgets, may require from the proper State Officials, including herein all Departments, both Executive and Administrative, all Boards, Commissions and Agencies, expending or supervising the expenditure of, and all institutions applying for State moneys and appropriations, such itemized estimates and other information, in such form and at such times, as he shall desire. The estimates for the Legislative Department shall be certified by the presiding Officer of each House, and shall be included in the budget without revision. The estimate for the public school shall be furnished by the State Board of Education and shall be included in the budgets without revision.

Sec. 7. The Governor shall include in his budget, under the title "General Appropriations" an estimate of the amounts which can be appropriated under miscellaneous appropriations, necessary for the welfare of the State, and a number of bills carrying sufficient appropriation may be passed to exhaust the miscellaneous fund so estimated, without providing any other source or revenue than the miscellaneous fund so as aforesaid estimated by the Governor to be available.

CHAPTER IV

BUDGETARY LEGISLATION BY THE INDIVIDUAL STATES: ILLINOIS, IOWA, KANSAS, MINNESOTA, NEBRASKA, NEW JERSEY, OHIO

Illinois. In Illinois substantial progress has been made during recent years in the direction of budgetary reform. This movement may be said to date from 1913, when, for the first time, the attempt was made to compile in a single document all requests for appropriations. Conditions existing prior to the inauguration of this movement as regards all phases of the problem—administrative organization, the preparation and submission of estimates of revenues and expenditures and action upon such estimates by the legislature—could scarcely have been worse.

Over the officers, boards, and commissions created by statute the General Assembly has full authority. In practice, in the confusion of legislative sessions, new boards and offices have usually been created with little reference to previously existing authorities, either as to form of organization or to the scope of their powers. Most of them are substantially independent of each other, and are subject to no control, except the nominal supervision of the Governor, through his powers of appointment and removal. The constitutional officers and some of those created by statute are not even subject to this nominal supervision. As a result of these conditions the executive authorities of the State lack any semblance of systematic organization.[1]

Though the constitution of Illinois provides that the Governor shall, at each session of the legislature present "esti-

[1] Report of Efficiency and Economy Committee, Illinois, 1915, p. 11.

mates of the amount of money required to be raised by taxation for all purposes" no Governor appears to have ever complied with this provision.[1]

Requests for appropriations were submitted informally by each office, department or board; and separate bills were prepared by the several departments and institutions, and introduced by individual members of the General Assembly.[2]

As a result, instead of a carefully prepared budget, there are passed a large number of separate appropriation acts, with an absurd range of variation in the amounts appropriated and the extent and character of the items. Thus at the session of 1913, there were passed 94 appropriation acts, which cover 116 pages in the volume of session laws, one act for the pay of members of the General Assembly was for a lump sum of $2,600,000—the amounts payable to each person being regulated by statutory provisions. Appropriations for the state university ($4,500,000) and for the ordinary expenses of the state charitable institutions ($8,000,000) were made in a few large items. On the other hand, appropriations for buildings and improvements in the charitable institutions were specified in 131 items; appropriations for the five normal schools were in one act, with 33 items; appropriations for the penitentiaries and reformatory were in five separate acts; and the "omnibus bill" for the great number of state offices, boards and commissions was in 96 paragraphs, with more than a thousand items. For one office there were such small items as $75 a year for rubber stamps, and $75 a year for twine." [3]

A partial attempt to improve this condition of affairs both from the administrative and budgetary standpoint was made in 1909 when all the state charitable institutions were placed under the general direction of a single state board of administration. This board, Prof. Fairlie states, has presented carefully prepared estimates, which has put an end to the scramble before the legislature for funds by the several institutions,

[1] John A. Fairlie; Budget Methods in Illinois, Annals of the American Academy of Political and Social Science, Nov. 1915, p. 86.

[2] Ibid., p. 86.

[3] Ibid., p. 87.

the estimates of the board being generally accepted by the legislature.

The first attempt to bring together in one showing all requests for appropriations was, however, made in 1913. In that year a detailed compilation of all such requests together with a comparison of appropriations made two years before was laid before the general assembly. In the same year an act was passed providing that the State Legislative Reference Bureau should prepare and lay before the legislature at each of its sessions a similar compilation with the data arranged according to a general scheme of classification.

Regarding the results of this provision, Prof. Fairlie says:

> This work seems to have been carefully done and marks an important step towards a budget system. But it must be recognized that this fell far short of an adequate system. Necessarily the new classification made impossible in most cases a detailed comparison with previous appropriations; nor had the bureau been authorized to make an analysis of expenditures under the new classification, as a basis of comparison. To the writer the mass of detailed items has seemed too numerous, and more likely to bewilder than to enlighten the members of the appropriation committees. But the most serious weakness of this undertaking was the lack of any responsible recommendations for the estimates as a whole. The Bureau had no authority to make recommendations.[1]

Regarding the first attempt in the direction of a budget the following comment was made by the pamphlet on State Budget Systems prepared for the Massachusetts State Constitutional Convention.[2]

> The first budget which was prepared was a mass of detailed items not very carefully classified and more likely to bewilder than to enlighten the appropriation committees. The experience of Illinois would indicate, therefore, that it is unwise to confer the function of preparing the budget upon a bureau

[1] Fairlie: Budget Methods in Illinois, Annals, etc., p. 88.

[2] Bulletin No. 2, State Budget Systems in the United States, p. 23.

which is poorly equipped, which does not make recommendations and which assumes no definite responsibility for the budget.

The compilation of appropriation requests in this way, moreover, led to little or no improvement in the preparation of appropriation bills. On the contrary it seems to have promoted the practice of itemizing appropriations in still greater detail. "There were," Prof. Fairlie writes, "as formerly too many separate bills, and no approach to a uniform system of classifying items, while the detailed enumeration of petty items was extended." [1] The fundamental principle that, while a budget should give expenditures in the greatest practicable detail, appropriations should be made under more general heads, received no recognition and in all probability was not appreciated at all.

The next step in the promotion of budgetary reform was that of the creation in 1913, by the same general assembly, as provided for the compiling of estimates by the State Legislative Reference Bureau, of a joint committee of the two houses—

to investigate all departments of the state government including all boards, bureaus and commissions which have been created by the General Assembly, such investigations to be made with a view of securing a more perfect system of accounting, combining and centralizing the duties of the various departments, abolishing such as are useless and securing for the state of Illinois such reorganization that will promote greater efficiency and greater economy in her various branches of government.[2]

Full powers to take testimony, to demand the production of records and papers and to employ experts and other assistance were conferred upon the committees and an item was

[1] Fairlie: Budget Methods in Illinois, Annals, etc., p. 89.

[2] Senate Joint Resolution No. 22. Forty-eighth Gen. Assembly, 1913.

inserted in an appropriation bill to meet the expenses incurred.

Though the task of devising a proper budgetary system for the state was not specifically conferred upon this committee, the duties entrusted to it were ones constituting essential features of the elaboration of such a system; those namely of effecting a reorganization of the administrative branch of the government and of devising a proper accounting system.

The report of this committee, submitted in 1915, is an exceptionally able document. In addition to containing the report proper of the committee, it includes twelve special reports on particular topics prepared by specialists appointed for the purpose and performing their work under the general direction of Prof. John A. Fairlie, Professor of Political Science at the University of Illinois. Two of these reports; those on Revenue and Finance Administration, by Prof. Fairlie himself, and The Accounts of the State of Illinois, by George E. Frazer, Certified Public Accountant and Comptroller of the University of Illinois, deal directly with budgetary matters.

The report as a whole was a convincing indictment of existing conditions from almost every standpoint of administration, and pointed out the several steps that should be taken to relieve these conditions. Among these steps it rightly gave first place to the necessity that the state should be given an integrated administrative system with the Governor at the head. This it pointed out would pave the way for the introduction of a budget.

The proposed reorganization will also aid in the preparation of a proper budget of estimates as a basis for appropriations. Each department will be able to formulate a careful estimate of needed appropriations, considering the relative demands of its several bureaus and services; and these departmental estimates will be compiled and analyzed by the State Comptroller for submission to the Governor, who will recommend the aggregate budget of items approved by him to the General Assembly. This will place on the Governor the responsibility for the total amount requested, and the General

Assembly will hesitate to increase the appropriations beyond the amounts recommended by the Governor.[1]

The committee also appreciated the fact that a budget must have back of it a proper accounting system. It said:

A comprehensive and modern system of accounts such as is submitted in outline and which has been worked out in detail for the penitentiaries and reformatory will also aid in controlling and fixing responsibility for expenditures and in preparing close estimates for the budget.[2]

Regarding the imperative need for a budget in order to secure good government the committee said:

One of the most serious defects arising from the lack of correlation and effective supervision over the subordinate authorities is the absence of any satisfactory budget of estimates as a basis for appropriations * * * the careful preparation of such a budget would be a potent factor in securing economy and efficiency throughout the executive departments.

These far-reaching recommendations of the committee were accepted and acted upon by the next general assembly. By an act approved March 7, 1917, entitled "An Act in relation to the Civil Administration of the State Government," provision was made for a thorough reorganization of the administrative branch of the government along the lines recommended by the committee and the adoption of many of the other recommendations of that body. Specific provision was not only made for the adoption of a budgetary system, but a strong budgetary organ was created for its administration. We have no hesitation in saying that the provisions of the act regarding the powers and duties of this organ, which is known as the Department of Finance, in respect to the preparation and presentation of a budget and collateral matters, represent the

[1] Report of the Efficiency and Economy Committee, Illinois, p. 75.
[2] Ibid., p. 75.

furthest advance that has yet been made by any government in the United States towards the adoption of a budgetary system. It is indeed a misnomer to designate them as an advance: they represent the definite adoption of the budgetary system in the most essential aspects. They are as follows:

An Act in relation to the civil administration of the State government. Approved, March 7, 1917. (Acts of 1917, p. 2.)

Section 36. The Department of Finance shall have power:

1. To prescribe and require the installation of a uniform system of bookkeeping, accounting and reporting for the several departments;

2. To prescribe forms for accounts and financial reports and statements for the several departments;

3. To supervise and examine the accounts and expenditures of the several departments;

4. To examine, at any and all times, into the accuracy and legality of the accounts, receipts and expenditures of the public moneys and the disposition and use of the public property by the several departments;

5. To keep such summary and controlling accounts as may be necessary to determine the accuracy of the detail accounts and reports from the several departments, and to prescribe the manner and method of certifying that funds are available and adequate to meet all contracts and obligations;

6. To prescribe uniform rules governing specifications for purchases of supplies, the advertisement for proposals, the opening of bids and the making of awards, to keep a catalogue of prices current and to analyze and tabulate prices paid and quantities purchased;

7. To examine, at any and all times, the accounts of every private corporation, institution, association or board receiving appropriations from the General Assembly;

8. To report to the Attorney General for such action, civil or criminal, as the Attorney General may deem necessary, all facts showing illegal expenditures of the public money or misappropriation of the public property;

9. To examine and approve, or disapprove, vouchers, bills and claims of the several departments, and such as are by law made subject to the approval of the Governor and referred to

it by the Governor, and no voucher, bill or claim of any department shall be allowed without its approval and certificate;

10. To prescribe the form of receipt, voucher, bill or claim to be filed by the several departments with it;

11. In settling the accounts of the several departments, to inquire into and make an inspection of articles and materials furnished or work and labor performed, for the purpose of ascertaining that the prices, quality and amount of such articles or labor are fair, just and reasonable, and that all the requirements, express and implied, pertaining thereto have been complied with, and to reject and disallow any excess;

12. To prepare and report to the Governor, when requested, estimates of the income and revenues of the State;

13. To prepare and submit to the Governor biennially, not later than the first day of January preceding the convening of the General Assembly, a State budget;

14. To publish, from time to time, for the information of the several departments and of the general public, bulletins of the work of the government;

15. To investigate duplication of work of departments and the efficiency of the organization and administration of departments, and to formulate plans for the better coördination of departments.

Sec. 37. In the preparation of a State budget, the Director of Finance shall, not later than the fifteenth day of September in the year preceding the convening of the General Assembly, distribute to all departments and to all offices and institutions of the State government (including the elective officers in the executive department and including the University of Illinois and the judicial department) the proper blanks necessary to the preparation of budget estimates, which blanks shall be in such form as shall be prescribed by the Director of Finance, to procure, among other things, information as to the revenues and expenditures for the two preceding fiscal years, the appropriations made by the previous General Assembly, the expenditures therefrom, encumbrances thereon, and the amounts unencumbered and unexpended, an estimate of the revenues and expenditures of the current fiscal year, and an estimate of the revenues and amounts needed for the respective departments and offices for the two years next succeeding beginning at the expiration of the first fiscal quarter after the adjournment of the General Assembly. Each department, office and

institution (including the elective officers in the executive and judicial departments and including the University of Illinois) shall, not later than the first day of November, file in the office of the Director of Finance its estimate of receipts and expenditures for the succeeding biennium. Such estimates shall be accompanied by a statement in writing giving facts and explanation of reasons for each item of expenditure requested. The Director of Finance may, in his discretion, make further inquiries and investigations as to any item desired. He may approve, disapprove or alter the estimates. He shall, on or before the first day of January preceding the convening of the General Assembly, submit to the Governor in writing his estimates of revenues and appropriations for the next succeeding biennium.

Sec. 38. The Governor shall as soon as possible and not later than four weeks after the organization of the General Assembly submit a State budget, embracing therein the amounts recommended by him to be appropriated to the respective departments, offices, and institutions, and for all other public purposes, the estimated revenues from taxation, the estimated revenues from sources other than taxation, and an estimate of the amount required to be raised by taxation. Together with such budget, the governor shall transmit the estimates of receipts and expenditures, as received by the Director of Finance, of the elective officers in the executive and judicial departments and of the University of Illinois.

Sec. 39. Each department shall, before an appropriation to such department becomes available for expenditure, prepare and submit to the department of finance an estimate of the amount required for each activity to be carried on, and accounts shall be kept and reports rendered showing the expenditures for each such purpose.

Iowa. On March 17, 1913, the Joint Committee on Retrenchment and Reform of the General Assembly, a body which had previously been created to report upon action that should be taken to improve the administration of public affairs, was authorized to employ expert accountants and efficiency engineers to assist it in its work. The services of Quail, Parker & Co. were obtained for this purpose. On December 21, 1913, this firm submitted a report advocating, among other

things, a new department of finance under the state treasurer and state auditor which would make possible a system of budgetary control. On November 12, 1914, the joint committee published a preliminary report in which it recommended that all administrative authority be vested in the hands of the Governor, and, to that end, that he be given the power of appointment of all important administrative officers, and have the duty of submitting to the legislature a biennial budget setting forth the appropriations which, in his opinion, should be voted for the support of the government.

This latter recommendation was acted upon in the following year.

The measure enacted does not provide for a budget in the comprehensive sense of the term but covers only the matter of estimates of appropriations. It is, however, a step in the right direction since it establishes the principle of having the governor or chief executive lay before the legislature his work or expenditure program. Its text is as follows:

An Act to provide information which shall serve as a basis for legislative appropriations. Approved April 6, 1915. [Code Sections 191a and 191b.]

Section 191-a. Every officer, board, commission or committee having charge of any department, institution or undertaking which receives an annual appropriation of money, from the treasury of the state, including appropriations to be made by assessment, shall, biennially, on or before the fifteenth day of November, immediately prior to the convening of the general assembly, in regular session, submit to the governor, statements showing in detail the amounts appropriated for the current biennial period, estimates of the amounts required for the ensuing biennial period, with an explanation of the reason for any increased appropriation, and all receipts (giving the source thereof) and expenditures for the current biennial period tabulated.

Sec. 191-b. On the day fixed by law for the governor to present to the general assembly his official message, he shall at the same time submit to the general assembly a budget which shall contain in detail general information and in gen-

eral form his recommendations to the general assembly for appropriations for all the different departments and boards and state officials, together with such explanation thereof as he may desire to present. The governor shall not be required to read this but it shall be printed in the journal as a part of his message to the general assembly and shall be officially known as the budget.

Kansas. On March 7, 1917, Kansas passed an act providing for an out-and-out budgetary system in so far as the formulation of a budget by the Governor is concerned. This act provides that all estimates of appropriations shall be submitted to the Governor on forms prepared by the auditor and approved by the Governor and shall be accompanied by such financial statements as the latter shall prescribe. It is made the duty of the Governor to revise and compile these estimates and submit them to the legislature as his budget. In performing this work he is empowered to make such investigation of the departments of the government as he finds necessary. No attempt is made, however, to prescribe the procedure to be followed by the legislature in acting upon such budget.

Following is a copy of this act:

An Act to provide a budget system and to provide a method of ascertaining the financial condition of the state and the appropriations necessary for the various departments, institutions and other agencies of the state. Approved March 7, 1917. (Acts of 1917, ch. 312.)

Section 1. Each department of the state government, except the legislature, each board, commission, charitable or correctional institution, or any other state agency, requiring an appropriation from the state, shall present a request therefor to the governor on or before November fifteenth of each year. Any organization, body, committee or person intending to request an appropriation from the legislature for any particular object or purpose or for any expenditure, shall likewise present such request to the governor on or before November fifteenth of the year prior to the meeting of the legislature.

Sec. 2. Such requests shall be made by the head of such department, president or chairman of such board or commission, or officer designated by the board of managers or other governing body of such charitable or correctional institution, or other state agency. In the case of the judiciary, the state auditor shall certify to the governor on or before November fifteenth of the year prior to the meeting of the legislature, the amount necessary to pay the salaries of the judges of the supreme court, judges of the district court, officers, clerks and stenographers of the supreme court and stenographers of the district court, and the clerk of the supreme court, under the direction of the chief justice of said court, shall make a request of the governor for such contingent fund and appropriations outside of salaries as may be deemed necessary. In the case of any organization, body, committee or person as mentioned in section two, the request shall be made by some person duly authorized therefor.

Sec. 3. Such requests shall be made upon blank forms to be furnished by the state auditor as approved by the governor. The blank forms shall be filled in accordance with the rules which shall be formulated by the governor together with the auditor. The rules may be amended or new rules adopted by the governor from time to time as conditions may require.

Sec. 4. All such requests for appropriation shall show in detail the purposes for which appropriations are requested, and where increases or decreases from previous appropriations are desired the reason therefor. Such requests shall be sworn to by the person making the same, which oath shall be in the form provided by rule, except that the auditor shall not be required to verify the request made for the judiciary appropriation.

Sec. 5. There shall accompany such requests for appropriations an itemized financial statement and also a trial balance covering the preceding fiscal year, showing the receipts and expenditures of the department or body presenting such request in such form and detail as the governor may direct.

Sec. 6. On November fifteenth of the year preceding the meeting of the legislature, and thereafter as often as required by the governor, the state auditor and state treasurer shall jointly transmit to the governor, in such form as he shall direct, a summary of the financial condition of the state. This report shall show, in condensed form, the financial condition of the

state, the amounts expended and the amounts received, the sources and amounts of income, and the free balance in the treasury. The report shall likewise show the probable sources of revenue and the probable state's income available for appropriations for the fiscal years for which the legislature will be requested to make appropriations.

Sec. 7. Upon the receipt of requests for appropriations and the report of the state treasurer and state auditor, the governor shall proceed to examine such requests and reports for the purpose of determining the necessity of the appropriations so requested and shall in a separate message transmit to each member elect of the legislature on the second Tuesday in January such requests and reports, together with his recommendations thereon.

Sec. 8. For the purpose of investigating the necessity of the appropriations so requested or for the purpose of ascertaining if either new sources of income are required or present sources of income are properly collected or for any similar purpose, at any time, the governor may summon witnesses and conduct hearings or appoint any officer of the state government or any other person particularly fitted therefor to conduct any investigation or examination necessary to aid him in this purpose.

Sec. 9. The message of the governor shall be in such form that it can be easily understood by the average citizen, and shall be printed and a copy thereof presented to each member of the legislature, the press, and each public library.

Sec. 10. If he deems it necessary, the governor may from time to time transmit special messages requesting additional appropriations for purposes not anticipated at the time the budget message was transmitted to the legislature.

Sec. 11. Whenever any act creating or regulating any body, mentioned in section two of this act, shall limit the amount which such body shall expend, such act shall be deemed to be repealed in so far as such limit is concerned if a greater amount is appropriated by any succeeding legislature to the extent only of such greater amount.

Sec. 12. Any department of the state government, board, commission, charitable or correctional institution, or any other state agency which derives its income in part or in whole from fees, licenses, taxes, penalties, or in any manner, by reason of any law whereby such income is paid directly to such

body for its support and not by appropriation from the state treasury, shall supply information concerning such income and the expenditure thereof either in the form required for appropriations or in any other form which the governor may direct, and the governor shall have the same powers of investigation over such bodies as over other bodies requesting appropriations under this act.

Sec. 13. The expense of conducting any investigation authorized in this act may be drawn from either a special appropriation made for this purpose or from the governor's contingent fund. Such expenses shall be paid upon the certificate of the governor.

Sec. 14. Nothing in this act shall be construed as repealing any act or provision requiring the state auditor, the state treasurer, or other state officers, to make reports to the governor.

Sec. 15. This act should be liberally construed, and if any section thereof shall be declared unconstitutional by any court of competent jurisdiction, it shall not thereby affect any other section thereof.

Sec. 16. That section 10719 of the General Statutes of 1915 and all acts and parts of acts in conflict herewith are repealed.

Sec. 17. This act shall take effect and be in force from and after its publication in the statute book.

Minnesota. Minnesota is among the states which have taken definite steps looking to the introduction of a budgetary system in so far as the requirement that the Governor shall submit such a document is concerned. In October, 1913, Governor W. S. Hammond on his own initiative, and without special legislative authorization, appointed a Commission on Economy and Efficiency, composed of thirty members, most of whom were from private walks of life, for the purpose of investigating and reporting to him means by which the administration of state affairs might be put upon a more efficient basis. This commission made a preliminary and a final report.

Among its recommendations was one that provision should be made by law for the submission by the Governor of a

biennial budget. This recommendation was favorably acted upon by the legislature in 1915, through the passage of an act which takes the first essential step towards the perfection of a scientific budgetary system by definitely placing upon the Governor the obligation of submitting to the legislature a consolidated statement of the provision which in his opinion should be made for the support of the government during the biennium to ensue. It furthermore provides, with especial care, that this statement shall be in such form that comparisons can be made with expenditures in the past. Of especial interest, however, is the provision that each department shall, immediately upon an appropriation for its support being made, proceed to sub-appropriate or allot the sum so granted for the purposes set forth in the budget. This allotment of funds may subsequently be changed, but the original allotment and all subsequent changes must be reported to the auditor who is thus enabled to keep his accounts of expenditures by such heads. This provision is of special interest to the writer of this volume since it corresponds closely to the procedure recommended by him in a paper read before the American Political Science Association in 1912 on "Allotment of Funds by Executive Officials an Essential Feature of any Correct Budgetary System." [1]

Following is the text of the act:

An Act to provide for a biennial budget and estimate of previous appropriations, expenditures and income of this state and of future requirements, expenditures and income thereof, and prescribing the manner of their preparation and submission to the legislature. Approved April 24, 1915. (Acts of 1915, Chapter 356.)

Section 1. The word "estimate" as used in this title shall mean a statement showing:

1. The expenditure for the purposes specified during each year of the current biennial period.

2. The funds available or appropriations authorized for

[1] Reprinted as Chapter VII of The Problem of a National Budget.

the same purpose, during each year of the current biennial period.

3. The amounts needed during each year of the ensuing biennial period for the work, and for the other disbursements of any department bureau, board, institution, office or branch of the state government, including purchases of land and permanent improvements.

4. The anticipated funds or revenues available for such purposes and the anticipated receipts in connection with such work.

5. Such other information as may be required by law or by executive order.

The word "budget" shall mean the complete estimates for the entire state government, including a summary thereof and a schedule of appropriations required and of estimated tax levies to correspond therewith.

Sec. 2. Every officer, board, commission or institution of this state, under whose direction any public money is to be expended shall prepare an estimate at such time and in such form as may be required by law or executive order.

Sec. 3. Every estimate so prepared shall be submitted to the governor; provided that the estimates of subordinate officers or boards shall be submitted to the superior officer or board under whose direction the official making such estimate is directly acting.

Sec. 4. It shall be the duty of every officer and of the members of every board to whom any such estimates are submitted, to assemble the same, and in consultation with the subordinate officers or boards submitting them, to revise such estimates before they are finally submitted to the governor, which shall be done not later than the first day of December in each year immediately preceding the regular session of the legislature.

Sec. 5. It shall be the duty of the governor, not later than December 31st immediately preceding each regular session of the legislature, to assemble all estimates so prepared and in consultation with the chief executive officers to make final revision of such estimates, having in view the total expenditures, total revenues and the tax levy, and to that end he shall include the estimated expenditures for the judiciary, the legislature, the state university and the state militia. He shall thereupon prepare the "budget" and shall cause to be printed in a form convenient for the legislature, a sufficient number

of copies thereof to supply at least one copy to each member of the legislature and to the chief executive officers of the state, and shall lay it before each branch of the legislature not later than the first day of February.

Sec. 6. Every estimate shall be in such form as required by law or as the governor may by executive order direct. All estimates shall be as nearly as practicable of a similar form.

Sec. 7. Every estimate shall present the following information and such other information as may be required by law or as the governor may direct:

1. It shall show in parallel columns:

Name of item.

Citation to statutes authorizing the service or fixing particular items.

Appropriations for each year of the current biennial period.

The actual expenditures and anticipated expenditures during each year of the biennium.

Amounts needed for each year of the coming biennium.

Explanations of increases or decreases.

Estimated revenue or receipts in connection with each service.

2. It shall distinguish each line of work or activity and shall distinguish at least the following classes of expenditures: (1) Salaries; (2) Permanent improvements and equipment; (3) All other expenses.

Sec. 8. It shall be the duty of each disbursing officer or board within thirty days after the passage of any appropriation by the state legislature to allot within each appropriation to be expended under his or its direction, the amounts, if any, for the several purposes set forth in the "budget" submitted to the legislature, not inconsistent with the terms of the appropriation act. Subject to the restrictions of the appropriation act allotments may, in case of necessity, be altered by the officer or board charged with the disbursement thereof. All such allotments and any changes thereof shall, as soon as made, be filed with the state auditor.

Sec. 9. A debit and credit account of every allotment shall be kept by the auditor and by the officer or board concerned and no expenditure shall be made in excess of the balance available therein.

Sec. 10. This act shall take effect and be in force from and after its passage.

Nebraska. In 1915, Nebraska passed an exceptionally well-worded statute providing for the establishment of a budgetary system in the state. This statute had the prime merit of making it perfectly clear that responsibility for the preparation of the budget rests squarely upon the Governor. "The Governor," it reads, "is hereby made chief budget officer. It shall be his duty to prepare and transmit to the Legislature at the opening of the Legislative session a detailed and summarized estimate of the state's revenue and expenditures for the ensuing biennium as recommended by him, together with brief reasons for his recommendations for each item in such estimates wherein a change is proposed from that of the previous biennium."

Other sections direct all officers to aid the Governor in preparing the estimates, and the auditor to keep his books in such a manner that the expenditures for each activity, each organization unit, and each principal item of expenditure can be shown "in a manner most easily intelligible by the average citizen." Those requirements, together with the fact that the budget must contain estimates of revenue as well as expenditures and include supporting tables showing, among other things, estimates for capital outlay as distinguished from current expense, show that the essential elements of a proper budgetary system are clearly appreciated and provided for.

The only features which are not sufficiently provided for are those of making clear that the estimates should be shown in comparison with past revenues and expenditures and provision for the current biennium, and of providing a special organ through which the Governor may exercise his power of general direction, supervision and control over the administrative services and discharge his duties of examining estimates as submitted by these departments as a necessary part of his function of preparing the budget. The former of these considerations can be met under the law as framed. Further action, however, is required to meet the latter.

BUDGETARY REFORM IN THE STATES

Following is a copy of the act, the main provisions of whch have just been summarized:

An Act to provide a budget system for the state; fixing the duties of the Auditor of Public Accounts in relation thereto; authorizing and requiring the Governor to prepare a state budget of estimated revenue and recommended expenditures and present the same to the state legislature. Approved April 16, 1915. (Acts of 1915, Chapter 229.)

Section 1. There is hereby established a budget system of accounting for state expenditure and presenting a plan of state revenue and expenses to the Legislature and the people of Nebraska. The Governor is hereby made chief budget officer. It shall be his duty to prepare and transmit to the Legislature at the opening of the Legislative Session a detailed and summarized estimate of the state's revenue and expenditures for the ensuing biennium as recommended by him, together with brief reasons for his recommendations for each item in such estimate wherein a change is proposed from that of the previous biennium.

Sec. 2. Said budget shall contain a detailed statement of the following matters as nearly as they may be ascertained.

(1) Total assessed valuation of the state, classified as per last grand assessment roll.

(2) Public debt of the state, floating or bonded and the annual interest charge thereon.

(3) Total receipts and expenditures of the state for the previous biennium.

(4) Total estimated revenue of the state for the coming biennium classified as to its sources.

(5) Total expenditure of the state during the previous biennium covering the two fiscal years ending with November 30th next prior to the convening of the Legislature classified for each department and institution.

(6) Total estimated state expenditures for the coming biennium so classified as to exhibit clearly the items of expenditure proposed and showing the distinction between such expenditures for permanent improvements, salaries, maintenance and new governmental undertaking.

Sec. 3. In the preparation of the budget aforesaid the Governor shall have the assistance of every officer of the state

and any such officer upon request shall forthwith furnish the Governor from the records of his office such information as he may require. The Governor shall cause the budget message to be printed in form convenient for use and copies shall be supplied at the time of its delivery to members of the Legislature, the press, and other citizens upon written application.

Sec. 4. As an aid to the establishment of the budget system it shall be the duty of the auditor of public accounts to keep a set of books which shall exhibit in condensed form in a manner most easily intelligible by the average citizen the expenses of the state government by fiscal years for each of the activities undertaken by the state, the expenses of each department and division of the government under each of the principal items of expenditure and the summary thereof. Typewritten abstracts of this set of books shall be prepared and furnished to the public press at the close of each fiscal year so arranged as to inform the citizens in the clearest manner possible of the expenses of the various branches of government. It is hereby made the duty of each department, institution, board, commission, society, survey or other organization receiving appropriations from the state to certify monthly to the auditor of public accounts, on blanks approved by the auditor for that purpose, an itemized list of expenditures as shown by the vouchers drawn against the various funds appropriated for the use of such department, institution, board, commission, society, survey or other organization, with a summary of the same under headings approved by the auditor. In case of several organizations under the government of a single board the certification may be made by the governing board.

New Jersey. In a number of respects New Jersey has made important advances towards the establishment of a proper budgetary system for the administration of its finances. In the first place the state starts with the great advantage that it has in principle an integrated administrative system analogous to that of the national government. By a revision of the constitution in 1844 provision was made for the election of the Governor by the people and the conferring upon him of important powers. Prior to that, under the constitution adopted in 1776, the Governor was elected by the two houses of the legislature sitting jointly, and was little more than a figure-

head. By the revision of 1844 he was made the only elected officer of the executive branch, other important officers of that branch being appointed by him by and with the consent of the upper house. He was at the same time given the power of making recommendations to the legislature and of vetoing not only bills but specific items in appropriation bills.

Secondly, the state has the desirable feature of having but one joint committee on appropriations for the consideration of appropriation bills instead of separate committees for the two houses as is the prevailing practice in the national government and most of the states.

Notwithstanding these advantages, conditions, until the passage of the next act of 1916 providing for an executively formulated budget, the provision of which will shortly be described, were but little, if any, better than those prevailing in other states. The evils of the pork barrel, special legislation, the voting of funds without any clear-cut financial or work programs were in full evidence. The history of the movement for the correction of these evils, which culminated in the act of 1916, to which reference has been made, is interestingly told in a recent number of "Municipal Research" and from it the following facts are chiefly taken.[1]

A first step in the direction of financial reform was made in 1894 by the appointment of a senate committee to investigate state expenditures. This committee agreed that one of the chief evils of the existing system consisted in the right of individual members of the legislature to introduce measures carrying an appropriation and in the multiplicity of appropriation acts. It accordingly recommended that all appropriations for a year should be made in a single appropriation bill. This recommendation was accepted and an act was passed in 1895 providing for a single appropriation bill.[2]

In 1907 and 1914, further reforms were accomplished by

[1] Financial Legislation in New Jersey, Municipal Research, Feb., 1916.

[2] Acts of 1895, p. 788.

the passage of acts calling for improved methods of accounting and auditing. On April 1, 1912, provision was made by the legislature for the appointment of a commission of seven "for the purpose of considering the best means to consolidate various boards and to broaden the powers in one central board, or boards." [1] Attention has already been called to the fact that, constitutionally, New Jersey has an administrative system of the integrated type. The benefits of this system had, however, in large part been lost by the creation of an excessive number of separate agencies. "It has been the practice in this state to organize a separate commission for each new phase of work. It has been carried to such an extent that we venture to say that if in the opinion of the legislature it was advisable to have a state park in each county, instead of organizing one department to acquire the land and to develop and care for the parks, twenty-one commissions would be organized, twenty-one secretaries would be secured and twenty-one staffs of engineers and clerks would be employed." [2]

This commission made a careful study of the administrative services of the government and has submitted four reports to the legislature. Its recommendations were that the state adopt the departmental type of organization, that is, one where all related services are either consolidated or brought together in one department. It reported various bills providing for this action, a number of which have been adopted.

The reorganization of the State Board of Health, the consolidation of the various oyster commissions, the consolidation of the State Board of Taxation and the State Board for the Equalization of Taxes, the creation of the Department of Conservation and Development, superseding the Forest Park Reservation Commission, the Geological Survey, several park commissions and the State Water Supply Commission after July 1st, 1916, the establishment of the Department of Com-

[1] Joint Resolution No. 6, Laws of New Jersey, 1912, p. 945-946.

[2] Second Report of the Commission upon the Reorganization and Consolidation of Different Departments of the State Government whose Functions are Interrelated, 1914, p. 13.

merce and Navigation which takes over the duties of the former Department of Inland Waterways, the New Jersey Ship Canal Commission, the Commission on Port Conditions, Obstructions to Navigation and Inspection of Power Vessels, the consolidation of the Bureau of Labor Statistics with the Department of Labor, these represent in part the work of this commission during the past year.[1]

Though this commission did not directly concern itself with the question of a budget, reference has been made to its work since, as has been repeatedly pointed out, the creation of a properly integrated scheme of administrative services constitutes such an integral and essential part of the problem of establishing a budgetary system upon a proper basis.

The foregoing reforms may thus be deemed ones preparing the way for the introduction of a budget rather than deliberate steps in that direction. The first step in this direction was made in 1916 by the passage by a unanimous vote of the highly important Lodge budget bill, so styled from the name of its author. It is of interest that Senator Lodge was chairman of the Economy and Efficiency Commission, the work of which has just been described, and it is fair to assume that his work on this commission was in large part responsible for his seeing the importance of providing for a budgetary system for the state and of taking steps for its adoption.

A reading of the Lodge act, taken in connection with the reform accomplished and in progress for the reorganization of the administrative services of the government upon a departmental basis, shows that the state of New Jersey has gone a long way towards the adoption of a budgetary system of financial administration. It has definitely provided for an executively formulated budget. Upon the Governor has been placed the full responsibility of presenting to the legislature a consolidated statement of the provision which, in his opinon,

[1] Fourth Report of the Commission upon the Reorganization and Consolidation of the Different Departments of the State Government (The Economy and Efficiency Commission), 1916, p. 5.

should be made for support of the government during the year. He is required at the same time to submit statements compiled by the comptroller in the form directed by him, showing revenue and expenditures for the last completed year. estimated revenues and expenditures for the year in progress in comparison with his estimates for the year to be financed. Careful provision is made for the assistance required by him in making his investigations of the needs of the several services and in subjecting the estimates as prepared by such services to scrutiny and revision. Especially noteworthy are the provisions that all appropriations shall be made in a single appropriation bill and that flexibility in the expenditure of appropriations may be had through the effecting of transfers from one appropriation head to another upon the approval of the State House Commission being obtained.

It will be noted, however, that the program of reform stops at this point, and that no attempt is made to restrict the right of the legislature to amend the budget as submitted by the Governor. In this field of legislative procedure two important points have, however, been attained; that all appropriation proposals will be considered by a single joint committee on appropriations of the two houses; and that all appropriations will be made in a single bill. Finally, it will be borne in mind that the Governor has the additional control over appropriations resulting from his power to veto specific items in the appropriation bill, subject, however, to the power to provide such vetoes by a two-thirds vote.

Following is a copy of this important measure:

An Act to provide a budget system and to provide a method of ascertaining the financial condition of the State and the appropriations necessary for the various departments, institutions and other agencies of the State. Approved March 1, 1916. (Acts of 1916, Chapter 15.)

Section 1. The short title of this act is the "Budget Act."

Sec. 2. Each department of the State government, board, commission, charitable or correctional institution, or any other

State Agency, requiring an annual appropriation from the State, shall present a request therefor to the Governor on or before November fifteenth of each year. Any organization, body, committee or person intending to request an appropriation from the Legislature for any particular object or purpose or for any new annual expenditure, shall likewise present such request to the Governor on or before November fifteenth.

Sec. 3. Such requests shall be made by the head of such department, president or chairman of such board or commission, or officer designated by the board of managers or other governing body of such charitable or correctional institution, or other State agency. In the case of the judiciary, it shall be made by the Clerk of the Court of Errors and Appeals, under the direction of the Chancellor and the Chief Justice of the Supreme Court, and in the case of the Legislature, by the Clerk of the House of Assembly and the Secretary of the Senate. In the case of any organization, body, committee or person as mentioned in paragraph two, the request shall be made by some person duly authorized therefor.

Sec. 4. Such requests shall be made upon blank forms to be furnished by the Comptroller as approved by the Governor. The blank forms shall be filled in according to the rules attached hereto. The rules may be altered or amended, or new rules adopted by the Governor or the Joint Appropriation Committee of the Legislature from time to time as conditions may require.

Sec. 5. All such requests for appropriation shall show in detail the purposes for which appropriations are requested, and where increases or decreases from previous appropriations are desired the reason therefor. Such requests shall be sworn to by the person making the same, which oath shall be in the form provided by rule.

Sec. 6. There shall accompany such requests for appropriations a trial balance covering the preceding fiscal year, showing the receipts and expenditures of the department or body presenting such request in such form and detail as the Governor may direct.

Sec. 7. On November fifteenth of each year, and thereafter as required, the Comptroller and State Treasurer shall jointly transmit to the Governor, in such form as he shall direct, a summary of the financial condition of the State. This report shall show, in condensed form, the financial condition of the

State for the fiscal year ending October thirty-first preceding, the amounts expended and the amounts received, the sources and amounts of income, and the free balance in the treasury. He shall also furnish similar information, as nearly as the same can be ascertained, for the current year. The report shall likewise show the probable sources of revenue and the probable estimate of the State's income available for appropriations for the next fiscal year for which the Legislature will be requested to make appropriations.

Sec. 8. Upon the receipt of requests for appropriations and the report of the Treasurer and Comptroller, the Governor shall proceed to examine such requests and reports for the purpose of determining the necessity of the appropriations so requested and shall in a separate message transmit to the Legislature on the second Tuesday in January a summary of such requests and reports, together with his recommendations thereon.

Sec. 9. For the purpose of investigating the necessity of the appropriations so requested or for the purpose of ascertaining if either new sources of income are required or present sources of income are properly collected or for any similar purpose, at any time, the Governor may summon witnesses and conduct hearings or appoint any officer of the State government or any other person particularly fitted therefor to conduct any investigation or examination necessary to aid him in this purpose. Should the additional duties imposed upon the Governor by this act require further assistants, the Governor shall have power to appoint officers of the State government, together with not more than two special assistants, to form a permanent committee, acting with him in carrying out the provisions of this act.

Sec. 10. The message of the Governor shall be in such form that it can be easily understood by the average citizen, and shall be printed and a copy thereof presented to each member of the Legislature, the press, each public library, and given such other publicity as the Governor or the Joint Appropriation Committee shall deem wise.

Sec. 11. The Governor shall not recommend to the Legislature appropriations in excess of the anticipated revenue. Should he believe that additional appropriations are necessary, he shall, if he deems it advisable, suggest plans for raising sufficient revenue to meet such appropriations.

Sec. 12. If he deems it necessary, the Governor may from time to time transmit special messages requesting additional appropriations for purposes not anticipated at the time the budget message was transmitted to the Legislature.

Sec. 13. No money shall be drawn from the treasury except by the General Appropriation Bill, and it is the intent of this act that no supplemental, deficiency or incidental bill shall be considered.

Sec. 14. Whenever any act creating or regulating any body, mentioned in paragraph two, shall limit the amount which such body may expend, such act shall be deemed to be repealed in so far as such limit is concerned if a greater amount is appropriated by any succeeding Legislature to the extent only of such greater amount.

Sec. 15. In order that some degree of flexibility in appropriations may be had, any department or other State agency receiving an appropriation by any future act of the Legislature may apply to the State House Commission for leave to transfer a part of any item granted to such department or agency to any other item in such appropriation. Such application shall only be made during the current year for which the appropriation was made, and if the State House Commission shall consent thereto, it shall notify the Comptróller thereof in writing, whereupon the Comptroller shall place the amount so transferred to the credit of the item so designated; *provided, however,* that no sum appropriated for any permanent improvement shall be used for maintenance or for any temporary purpose.

Sec. 16. Any department of the State government, board, commission, charitable or correctional institution, or any other State agency which derives its income in part or in whole from fees, licenses, taxes, penalties, or in any manner, by reason of any law whereby such income is paid directly to such body for its support and not by appropriation from the State treasury, shall, upon request of the Governor, supply information concerning such income and the expenditure thereof either in the form required for appropriations or in any other form which he may direct, and the Governor shall have the same powers of investigation over such bodies as over other bodies requesting appropriations under this act.

Sec. 17. The expense of conducting any investigation authorized in this act may be drawn from either a special ap-

propriation made for this purpose or from the Governor's emergency fund. Such expenses shall be paid upon the certificate of the Governor.

Sec. 18. This act shall be liberally construed, and if any section thereof shall be declared unconstitutional by any court of competent jurisdiction, it shall not thereby affect any other section thereof.

Sec. 19. This act shall take effect October first, one thousand nine hundred and sixteen.

RULES

1. All requests for appropriations shall be upon blanks furnished by the Comptroller according to forms approved by the Governor. Such blanks shall be called appropriation budget blanks.

2. They shall be addressed to the Governor and General Appropriation Committee of the next ensuing Legislature.

3. They shall cite the laws under which the appropriation is authorized.

4. They shall show the total number of employees for the preceding fiscal year, the current fiscal year and the estimated number for the coming year for which the appropriation is asked; likewise in charitable and correctional institutions, the number of inmates, the costs of maintenance per capita, and the costs of administration and salary per capita for the same periods.

5. They shall show the estimated value of the property under the control of the department or body requesting the appropriation and the amount contributed thereto by the State. Also the amount of revenue earned and how much, if any, thereof is paid directly into the State Treasury.

6. They shall show in parallel columns opposite each item the amount appropriated for the last fiscal year, the present year and the amount required for the next year.

7. The items shall, as far as practical, be divided as follows:

(a) Maintenance (1) food; (2) clothing; (3) fuel and power; (4) supplies; (5) incidentals.

(b) Salaries (give number and classification of employees and salaries).

(c) Repairs and replacements (give details).

(d) Miscellaneous (including equipment, insurance, fixed charges, etc.)

(e) New buildings (give details).

8. Whenever an increase in an item is asked over the previous year, it shall be underlined in red ink and the reason for such increase given.

Ohio. In Ohio the principle of an executively formulated budget was firmly established in 1913 by the passage of the act entitled "An Act to Establish a Budget System for State Officers, Departments and Institutions," approved May 6, 1913.

Under the system which formerly prevailed in this state the heads of departments, boards and commissions were requested to submit to the Auditor of State, upon blanks furnished by him, their estimates of funds necessary to run their departments until the next biennium. These requests were then returned to the Auditor of State, who tabulated their wants and submitted them without comment to the incoming legislature. Hearings before the finance committee of the house were held behind locked doors and drawn blinds, and the men who were the best talkers got the most money. It was not a case of need so much as it was a case of "you scratch my back and I will scratch yours."[1]

Another evil of the old system was that:

The old appropriation bills, because of the appropriations of "Receipts and Balances" year after year, were absolutely beyond the comprehension of any person who tried to digest or analyze the financial acts of the session. In fact with these words appearing in the bill no one knew how much money was being voted from the state treasury.

In other respects the whole system of state financing was similar to that prevailing in other states and possessed all or nearly all of their defects. It was to remedy these defects, in part at least, that the act above mentioned was passed.

[1] State Budget Making in Ohio, by W. O. Heffernan, Ex-Budget Commissioner of Ohio. Annals of the American Academy of Political and Social Science, Nov., 1915, pp. 94 and 96.

This act does two things: it provides for the submission to the legislature by the Governor of a budget and it authorizes the Governor to employ competent help to assist him in determining the needs of the departments and institutions of the state and in formulating the budget.

In pursuance of the latter power Governor Cox created the office of budget commissioner, and entrusted to the commissioner appointed by him the task of preparing the first budget, that for 1914. The difficulties encountered by this official and the steps taken by him in meeting these difficulties are interestingly described by the commissioner in a paper prepared by him on that subject, from which liberal quotations will be made.[1]

The information, or rather the statements, which the Auditor was supposed to furnish were very unsatisfactory. It took weeks and months to get them because there were no available records in the Auditor's Office from which figures for purposes of comparison could be taken. In other words there were no comparative records kept up to the time of the installation of the budget system. * * *

So long as there were no figures available for comparison with previous years the adoption of a system of classified expenditures without which there could be no budget, was prevented. Under the old regime the legislature usually had before it in considering financial matters only the *ex parte* testimony of interested persons, whose statements and statistics in support of their alleged needs it was nobody's business to examine critically, and which, in the absence of reliable and exact information, could not be readily refuted.

I found nothing of immediate value in the state reports. The obvious lack in these reports was as follows:

1. Improper classifications and segregation of accounts for the purpose of reporting financial transactions of the department.
2. Inadequate classifications by objects of expenditure.

[1] State Budget Making in Ohio, by W. O. Heffernan, Ex-Budget Commissioner of Ohio. Annals of the American Academy of Political and Social Science, Nov., 1915.

3. Amounts of expenditures for specific objects are specifically classified.
4. Amounts showing expenditures by objects containing amounts representing inventory on hand.
5. Amounts of expenditure shown in report containing amounts and specific appropriations, which unbalanced any comparison which one might wish to make.

This statement is of interest as emphasizing the point that no budgetary system can be successfully operated that does not rest squarely upon a system of accounting and reporting specially devised to produce the information required for budgetary purposes. In the case of Ohio it was fortunate that the law defining the duties of the state auditor gave to that official full power to prescribe such system of accounting and reporting by state departments and institutions as he deemed desirable. Sections 274 and 277 of the General Code of the state thus reads:

Sec. 274. There shall be a bureau of inspection and supervision of public offices in the department of Auditor of State which shall have power as hereinafter provided in sections two hundred seventy-five to two hundred eighty-nine, inclusive, to inspect and supervise the accounts and reports of all state offices, including every state educational, benevolent, penal and reformatory institution, public institution and the offices of each taxing district or public institution in the State of Ohio. Said bureau shall have the power to examine the accounts of every private institution, association, board or corporation receiving public money for its use and purpose, and may require of them annual reports in such form as it may prescribe. The expense of such examination shall be borne by the taxing district providing such public money. By virtue of his office the Auditor of State shall be chief inspector and supervisor of public offices, and as such appoint not exceeding two deputy inspectors and supervisors and a clerk. Not more than one deputy inspector and supervisor shall belong to the same political party.

Sec. 277. The Auditor of State, as chief inspector and supervisor, shall prescribe and install a system of accounting and reporting for public offices. Such system shall be uniform

in its application to offices of the same grade and accounts of the same class, and shall prescribe the form of receipt, vouchers and documents, required to separate and verify each transaction, and forms of reports and statements required for the administration of such offices or for the information of the public.

In pursuance of the powers thus vested in him the state auditor, acting in coöperation with the Budget Commission, worked out and prescribed a system of accounting that will furnish the information regarding expenditures in an exceptionally satisfactory manner. This system is thus described by the Director of the Ohio Institute for Public Efficiency.[1]

In order that the expenditures chargeable to the governmental functions or organization units may exhibit the information desired for administrative, statistical and other purposes, the expenditures are classified according to character of transaction and subclassified according to objects of expenditure.

Under each function or organization unit, the following captions denoting character of transaction are employed, the figures at the left of each serving as a code designation:

000 Operation
100 Maintenance of Lands
200 Maintenance of Structures and Improvements
300 Maintenance of Equipment
400 Contingent
450 Debt Service
500 Outlay for Lands
600 Outlay for Structures and Improvements
700 Outlay for Equipment
990 Refunds

Under each of the accounts in the above classification, in order that the object of expenditure may be denoted and separately charged under a specific caption, the following group

[1] The Budget and the Legislature, by Rufus E. Miles, Director of the Ohio Institute for Public Efficiency. Annals of the American Academy of Political and Social Science. Nov., 1915, p. 41.

of accounts may be used. The letters at the left of each serve as a code designation:

A. Personal Service
B. Supplies and Materials
C. Contractual Services
D. Contributions, Gratuities and Awards

Suitable subdivisions in detail are provided for each of the accounts, but can not be given here for lack of space.

The development of this system of accounting is of special importance since it shows that the authorities in Ohio responsible for the administration of the finances of the state have a clear appreciation of the technical requirements of a proper budgetary system and are actively at work meeting them. It will further be seen how closely this scheme of accounting corresponds in principle, though it differs in detail, to the system of accounting described by the author in his paper on the nature and functions of a budget, as an essential feature of a proper budgetary system.

Another feature of the budgetary experience of Ohio that merits special attention is the steps taken to meet the problems of determining the extent to which appropriation grants should be itemized. This is a feature of budgetary practice which, it will be remembered, received detailed attention in our paper on the Nature and Functions of a Budget and in the chapter dealing with the necessity for an allotment system. The problem presented, as there described, is that of harmonizing legislative control with administrative discretion or flexibility in the expenditure of funds so that uniform contingencies and needs may be properly met. In Ohio, as in most states, no consistent plan had been worked out or followed for meeting this problem. In some cases appropriations were made in lump sums and in other cases with great detail of specification. That this problem was fully appreciated by the budget commissioner is shown by the following remarks by him in the paper from which previous quotations have been taken.

All of the house appropriations were made in two ways, either in lump or inflexible specific appropriations. The lump-sum scheme seems to have predominated in appropriations during the last decade, though many examples of specific appropriations occurred during this period. A thoroughly efficient and honest administrative official can oftentimes get better results if he has a free hand in the use of funds, and circumstances sometimes arise which make it desirable to use funds for purposes which the legislature could not foresee. But, on the other hand, the same kind of an appropriation in the hands of dishonest or incompetent officials is so easily misused that it has proven generally unsatisfactory and often vicious. Specific appropriations were the natural ends towards which legislative bodies reacted after having found the lump sum inadequate. The fact that the money appropriated specifically could be used for no other purposes and no other money was available, made it necessary to allow a wide margin for any contingency that might arise. Usually the maximum amounts provided were not required, but the official thinking that he must allow the money to lapse or spend it for the purposes specified, was able to be too free in spending.

It would be difficult to state this problem and the considerations involved in it more effectively than has been done in the passage just quoted. The budget commissioner has sought to solve this problem by making provision for a system of transfer between appropriation items upon the plan followed by Great Britain. For this purpose use was made of an existing state institution known as the Emergency Board, consisting of the Governor, the state auditor, the attorney general, and the chairmen of the finance committees of both houses of the legislature, any four of whom were empowered by the statutes to make deficiency appropriations.

The steps actually taken by the budget commissioner to introduce this system of "virement," as it is technically called in Great Britain, are thus described by this official:

Not until the budget was established in 1914 was any attempt made to combine the virtues of the two systems and eliminate their vices. In order to avoid the evils of both lump-

sum and specific appropriations, appropriations were made specifically but were provided with the necessary degree of flexibility. This was done by means of the transfer system which made it possible to appropriate, instead of maximum estimates, those slightly above the minimum. Provided with the privilege of transfer, departmental officials could reduce their estimates on each item knowing that according to the "laws of probability" all projects would not cost the maximum, and that the small margin of safety could be transferred from those which cost the minimum to the few that actually approach the maximum. The result of following this plan was economy and smaller appropriations for specific items, and in consequence a smaller budget. Along with this a check was provided on expenditures for the reason that the request for a transfer invited investigation by the Emergency Board, and required a statement of explicit reasons why the fund to which transfer was sought was not adequate.

Notwithstanding the great advance made in perfecting the system of an executively formulated budget, it would appear that the first budget presented did not succeed in its purpose of keeping down expenditures. The total of estimates for the biennial period ending January 31, 1917, as prepared by the spending departments, was in round numbers $50,028,000. The budget cut this down to $39,927,000. The total actually appropriated was $46,298,000. The reason for this failure on the part of the budget to keep appropriations more within bounds was not due wholly to the fact that the budgetary system, as established, deals only with the problem of formulating a budget and imposes no restriction upon the legislature in acting upon its proposals. According to the "Bulletin on State Budget System in the United States," prepared for the Massachusetts Constitutional Convention, 1917, the mistake was made of having the budget go forward as one prepared by the budget commissioner rather than one prepared by that official for the Governor. This criticism emphasizes the fact that the mere preparation of a budgetary document in proper form is not sufficient. It must be not only nominally but actually the act of the chief executive. It must have back of it

all the authority of that official and must show clearly that it represents his judgment, found after adequate study of the needs of the several services, regarding the sums that should be voted. This initial error, it is stated, was recognized by Governor Cox and has been corrected in the case of the budget submitted this year.

The following is the text of the budget act:

An Act to establish a budget system for state officers, departments and institutions. Approved May 6, 1913. (Acts of 1913, p. 658.)

Section 1. On or before the fifteenth day of November, biennially, in the even numbered years, the several departments, institutions, commissions and officers of the state shall report on blanks furnished for such purpose, an estimate in itemized form to the governor, stating the amount of money needed for their wants for the biennial period beginning with the first day of July thereafter.

Sec. 2. On or before the fifteenth day of November biennially in the even numbered years the auditor of state shall furnish to the governor the following statements:

1. A statement showing the balance standing to the credit of the several appropriations for each department, institution, commission and office of the state, and for each and every current purpose of the state government, at the end of the last fiscal year.

2. A statement showing monthly revenues and expenditures from each appropriation account in the twelve months, and the monthly revenues and expenditures from all the appropriation accounts in the twelve months of the last fiscal year.

3. A statement showing the annual revenues and expenditures of each appropriation account for each year of the last four fiscal years in which any appropriation account has existed.

4. A statement showing the monthly average of such expenditures from each of the several appropriation accounts for the last fiscal year, and also the total monthly average from all of them for the last four fiscal years.

Sec. 3. The departments, institutions, commissions and officers of the state upon request shall forthwith furnish to the

governor any information desired in relation to the affairs of their respective departments, institutions or officers.

Sec. 4. At the beginning of each regular session of the general assembly the governor shall submit to the general assembly, together with the estimate of such departments, institutions, commissions and officers of the state, his budget of current expenses of the state for the biennial period beginning on the first day of July next thereafter.

Sec. 5. At any time the governor may appoint competent, disinterested persons to examine, without notice, the affairs of any department, institution, public works, commission or office of the state for the purpose of ascertaining facts, and to make findings and recommendations relative to increasing the efficiency and curtailing the expense therein. In connection with such examinations, the governor or such appointees may compel attendance and testimony of witnesses, administer oaths and examine such persons as they deem necessary, and compel the production of books and papers. The orders and subpœnas issued by the governor or by such appointees in pursuance of the authority in them vested by the provisions of this section may be enforced, on the application of the governor, by any court of common pleas by proceedings in contempt therein as provided by law. The governor may fix the compensation of such appointees or any of them and cause the same together with their necessary traveling expenses to be paid out of any appropriation made by the general assembly for the executive department.

The sections of the General Code providing for the Emergency Board are as follows:

An Act creating an Emergency Board and defining its duties. (General Code of Ohio, 1910, Title VIII, Chapter 1, sections 2312 and 2313.)

Section 2312. There shall be an emergency board to consist of the governor, auditor of state, attorney general, chairman of the senate finance committee and chairman of the house finance committee, which board may authorize deficiencies to be made. The governor shall be president, and the chairman of the house finance committee shall be secretary of the board. The secretary shall keep a complete record of all its proceedings. The necessary expenses of the chairman of the senate and house finance committees, while engaged in their duties as such members, shall be paid from the fund for expenses of

legislative committees, upon itemized vouchers approved by themselves, and the auditor of state is hereby authorized to draw his warrant upon the treasurer of state therefor. (89 v. 407 Sec. 3.)

Sec. 2313. In case of an emergency requiring the expenditure of a greater sum than the amount appropriated by the general assembly for an institution or department of the state in any one year, or for the expenditure of money not specifically provided for by law, the trustees, managers, directors or superintendent of such institution, or the officers of such department, may make application to the board for authority to create a deficiency, or to expend money not specifically provided for by law. Such officer shall fully set forth to the secretary in writing the facts in connection with the case. As soon as can be done conveniently, the secretary shall arrange for a meeting of the board, and shall notify such officer of the time and place of the meeting, and request his presence. No permit shall be granted with the approval of less than four members of the board, who shall sign it. (89 v. 407 Sec. 3.)

CHAPTER V

BUDGETARY LEGISLATION BY THE INDIVIDUAL STATES: CALIFORNIA, TENNESSEE

California. California has secured a budgetary system not as the result of any act having this end specially in view but as an incidental feature of a general movement for the improvement of methods of administration in that commonwealth. This movement found tangible expression in the creation in 1911 of a body known as the State Board of Control which, to quote the words of Governor Johnson of that state, has "plenary powers over the business and financial affairs of the state." In many respects this body is one of the most interesting political institutions possessed by any state of the Union. It corresponds very closely to a bureau of general administration which, as we have pointed out in our analysis of the problem of a national budget, constitutes such an essential feature of a scientific budget system. It indeed has a status and functions not dissimilar from those of the British Treasury in the governmental system of that country.

This board immediately upon its organization realized that no efficient system of administration could be established that did not rest squarely upon a budgetary basis. The conditions existing at that time in regard to the appropriation of funds were those found in most of the states and have been thus described by Mr. Neylan, the chairman of the board.[1]

Under the old system the legislature met and simultaneously the heads of departments and institutions left their posts and

[1] California's State Budget, by John Francis Neylan, Chairman, State Board of Control of California, Annals of the American Association of Political and Social Science, Nov., 1915, pp. 69-72.

traveled to Sacramento. Here they stayed throughout the legislative session, begging, wheedling and whining for money enough to properly transact the public business. Of course they promised jobs to friends of legislators in return for votes; of course they promised to aid some constituent of a senator who happened to be in the flour or coal business; of course they neglected their work for three months or as much longer as the legislature lasted.

The manner in which the board met this condition of affairs, and the results that have flowed from its action, is thus described by Governor Johnson of that state in his biennial message to the legislature in 1917.

The Board of Control conceived the idea that there should be some method of determining in advance of a legislative session the amount and the necessity for the various appropriations for the state institutions. The system by which the managers or superintendents of state institutions were required to dance attendance during a legislative session, log-rolling to obtain the highest possible appropriation, was admittedly an imposition upon the state and a system distasteful to those who desired to devote themselves wholly to the labors of their particular activities. The Board of Control devised the plan, therefore, of making a budget for each legislature; and, although there is no written law upon the subject, by agreement between the board and the Executive, and by understanding with the various institutions, the Board of Control has its hearings in conjunction with the controller, prior to the session of the legislature, the necessity for appropriations is presented in evidentiary fashion and then judicially determined. When the legislature meets, therefore, it finds the report of this budget and any legislator desiring accurate information has but to inquire of the Board of Control and that accurate information derived from the hearings held is immediately accorded. Under the old system the state's funds were distributed in proportion to the political influence of the applicant; under the budget system they are distributed in accordance with the needs of the state departments and the merits of the governmental projects.

This system gave effective results on account of the effective working relations established between the board and

the governor. In point of fact the Governor made the budget as prepared by the board his budget. Thus, in 1913, the Governor issued the following pronouncement when the budget was submitted to the legislature. He said:

Those appropriations which have been studied and approved by the Board of Control and the State Controller, acting as a budget commission, will receive executive sanction. Those which have not been approved by the budget commission will fail. Of necessity no Governor could personally in the time at his disposal examine the justice of all these financial bills. Common sense demands a businesslike and scientific budget. We have one, and mark well what I tell you, the time will never come again in your lifetime or mine in California when any politician will dare put this government back on the old log-rolling basis. * * *

What actually took place in the 1913 legislature is thus described by Mr. Neylan:

During the 1913 session of California's legislature the head of each state institution and department came to Sacramento when called to appear before the finance committee of the senate and ways and means committee of the assembly. They usually arrived in the afternoon, appeared before the committee in the evening to answer any particular questions which had been raised on the budget recommendations, and left Sacramento the following morning for their respective residences. No promises of jobs or anything else were made for the simple reason that the Governor and Board of Control had assumed responsibility for the entire budget and the heads of departments and institutions realized that the securing of proper appropriations was no longer a contest in trickery and ward-heeling strategy.

The statement is made that at the 1915 session of the legislature "further steps were taken to advance the budget idea, and perfect the machinery of presenting it." The effective work of the Board of Control in revising estimates is shown by the fact that at this session the estimates were reduced by the board from a total of $17,365,776, originally asked for

by the departments and institutions of the state, to $15,458,-200, while requests for special appropriations were reduced from $11,334,405 to $3,981,426. That this revision met with the approval of the legislature is evidenced by the fact that these estimates were still further reduced by the latter in the amount of $341,216.[1]

Following is a copy of the act providing for the establishment and operation of the State Board of Control.

Act Creating the State Board of Control, Approved April 3, 1911. Acts of 1911, Chapter 349.

Section 1. Article XVIII of chapter III of an act entitled "An act to establish a Political Code," approved March 12, 1872, is hereby repealed.

Sec. 2. A new article XVIII of chapter III of title I, of part III, of said Political Code, consisting of thirty-eight sections to be known and numbered respectively as sections 654, 655, 656, 657, 658, 659, 660, 661, 662, 663, 664, 665, 666, 667, 668, 669, 670, 671, 672, 673, 674, 675, 676, 677, 678, 679, 680, 681, 682, 683, 684, 685, 686, 687, 688, 689, 690 and 691, is hereby enacted to read as follows:

Article XVIII.

654. A state board of control is hereby created to consist of three members who shall be appointed by the governor and hold office at his pleasure. The governor shall designate the chairman of such board and shall fill vacancies occurring from any cause in the membership thereof. The members of such board shall not engage in any private business requiring their personal attention between the hours of nine o'clock A. M. and five o'clock P. M. of each day excepting holidays during their term of office. Before entering upon the discharge of his duties each member of said board shall execute an official bond to the State of California in the penal sum of twenty-

[1] Massachusetts Constitutional Convention, 1917, Bulletin No. 2, State Budget System in the United States, p. 30. This Bulletin cites as its authority a letter from the State Controller of California and an address delivered by the Controller before the National Tax Association at San Francisco in 1915.

five thousand dollars, conditioned on the faithful discharge of his duty according to law and shall take the oath of office as prescribed by this code for state officers. The members of such board shall be executive officers and each shall be authorized to administer oaths. The board shall appoint a secretary, three clerks and two stenographers. Such appointees shall be civil executive officers. The board may also appoint a messenger.

655. The members of the state board of control shall each receive a salary of four thousand dollars per annum which shall be paid at the same time and in the same manner as the salaries of state officers are paid. The secretary shall receive a salary of twenty-four hundred dollars per annum, the clerks a salary of eighteen hundred dollars per annum each, the two stenographers fifteen hundred dollars per annum each, and the messenger nine hundred dollars per annum. The salaries of all such appointees shall be paid at the same time and in the same manner as the salaries of state officers.

656. The said board shall be in session during office hours whenever a majority of the members thereof are present at its office in the state capitol and may meet at other places in the state at such time as a majority of the board may determine.

657. The board must keep a record of all its proceedings and any member may cause his dissent to the action of the majority upon any matter to be entered upon such record.

658. The board or a majority thereof, may elect one of its members vice-chairman, and such officer shall have and exercise all the authority of the chairman in the absence of the latter. The board may also establish rules and regulations not inconsistent with law for its government. All such rules and regulations must be recorded in the minutes of the board.

659. The chairman may issue subpœnas and compel the attendance of witnesses before the board or any member thereof, in the same manner that any court in this state may; and whenever the testimony of any witness upon any matter pending before it is material, the chairman must cause the attendance of the witness before such board, or a member thereof, to testify concerning such matter, and the board may make a reasonable allowance therefor not exceeding the fees of witnesses in civil cases, which must be paid out of the appropriation for the contingent expenses of the board, but in

no instance can an allowance be made in favor of a witness who appears in behalf of a claimant.

Each member of the board may take depositions to be used before it.

660. It shall be the duty of one or more members of the board as may be designated by the board, or as requested by the governor, to examine and expert, or cause to be examined and experted, the books of the different state prisons, reformatories, state hospitals and other institutions, commissions, bureaus and officers of the state, at least once in each year, and as often as may be deemed necessary. The officers of said prisons, reformatories, hospitals and other institutions, boards, commissions and bureaus and the several officers of the state, must permit such examination and experting and must upon demand produce without unnecessary delay all books, contracts and papers in their respective offices, and must furnish upon demand the information touching books, papers and contracts and other matters pertaining to their respective offices.

661. It shall be the duty of one or more members of the board as may be designated by such board or as may be requested by the governor to visit from time to time every public institution maintained in whole, or in part, by state appropriations to ascertain the conditions of the same, and their wants and requirements, and also to visit public buildings in course of construction to ascertain if all the provisions of law in relation to such construction and of the contracts therefor are being faithfully executed.

662. The board upon completion of such examination must make a report in duplicate thereon and file one with the governor, and one in the office of such board.

663. Every claim against the state for which an appropriation has been made or for which a state fund is available, must be presented to the board for its scrutiny before being paid. The board may for cause postpone action upon a claim for not exceeding one month.

664. Any person having a claim against the state for which an appropriation has been made, may present the same to the board in the form of an account or petition and the secretary of the board must date, number, and file such claim. The board must allow or reject the same within thirty days.

The concurrence of two members of the board shall be re-

quired to approve and allow any claim against the state in whole or in part.

665. If the board approve such claim the members approving the same must over their signatures endorse thereon the following: "Approved for the sum of ———— dollars," and the secretary shall immediately transmit the same to the office of the state controller for his action thereon and if such action is favorable, he shall draw his warrant for the amount so approved in favor of the claimant or his assigns; *provided* that the controller if he objects thereto for any reason may return the same to the secretary of said board and said claim shall not again be presented to the controller except with the unanimous approval of the board.

666. If the board, or a majority thereof, disapprove any claim, the same shall be filed with the records of the board with a statement showing such disapproval and the reasons therefor.

667. If no appropriation has been made, or if no fund is available for the payment of any claim against the state, the settlement of which is provided by law, or if an appropriation or fund has been exhausted, such claim must be presented to the board who shall audit the same and if approved by at least a majority vote thereof it shall, with the sanction of the governor, be transmitted to the legislature with a brief statement of the reasons for such approval.

668. The board shall cause to be printed for distribution among all state officers and for the use of any one desiring to present a claim against the state, a set of rules governing the presentation and audit of demands against the state funds and appropriations.

669. Any person having a claim against the state, the settlement of which is not otherwise provided for by law, must present the same to the board at least four months before the meeting of the legislature, accompanied by a statement showing the facts constituting the claim, verified in the same manner as complaints in civil actions. Before finally passing upon any such claim, notice of the time and place of hearing must be mailed to the claimant at least fifteen days prior to the date set for final action. At the time designated the board must proceed to examine and adjust such claims. It may hear evidence in support of or against them and, with the sanction of the governor, report to the legislature such facts and recom-

mendations concerning them as may be proper. In making such recommendations the board may state and use any official or personal knowledge which any member thereof may have touching such claims.

670. The board must make up its report and recommendations concerning such matters as the law requires of it at least thirty days before the meeting of the legislature. The board must give to the state controller for his use at such time as he shall demand a statement showing all its recommendations for appropriations by the legislature.

671. The board must not entertain, for the second time, a demand against the state once rejected by it or by the legislature unless such facts are presented to the board as in suits between individuals would furnish sufficient ground for granting a new trial. Any person interested, who is aggrieved by the disapproval of a claim by the board, may appeal from the decision to the legislature of the state, by filing with the board a notice thereof, and upon the receipt of such notice the board must transmit the demand and all the papers accompanying the same, with a statement of the evidence taken before it, to the legislature.

672. The controller must not draw his warrant for any claim unless it has been approved by the state board of control, and when hereafter, the controller is directed to draw his warrant for any purpose, this direction must be construed as subject to the provisions of this section, unless the direction is accompanied by a special provision exempting it from the operation of this section.

673. Whenever the board has reason to believe that the controller has drawn or is about to draw his warrant without authority of law, or for a larger amount than the state actually owes, the board must notify the treasurer of state not to pay the warrant so drawn or to be drawn; and thereupon the treasurer is prohibited from paying the warrant, whether already drawn or not, until he is otherwise directed by the legislature.

674. Claims upon the contingent fund of either house of the legislature and for official salaries, are exempted from the operation of the provisions of this article.

675. The money in the state treasury must be counted by the state board of control at least once every month, without giving the treasurer any previous notice of the day or hour

of counting; the board may at any counting place any sum in bags or boxes and mark and seal the same with a seal to be adopted and kept by it, and may, at any subsequent counting count each bag or box separately and credit at the value stamped thereon the contents of such bags or boxes as part of the money counted without making a detailed count of such contents. They shall count as cash all evidence of money belonging to the state upon deposit outside the state treasury that may be held by the treasurer in accordance with law and shall determine for themselves whether such evidence is sufficient according to law.

After each count of money they must make and file with the secretary of state and cause to be published in some newspaper in the city of Sacramento, an affidavit showing:

1. The amount of money or credit that ought to be in the state treasury.

2. The amount and kind of money or credit actually therein.

676. Whenever and as often as there is in the state treasury the sum of ten thousand dollars as the proceeds of the sale of state school lands the board must invest the same in the bonds of this state, or in the bonds of the United States, or in the bonds of any county, permanent road district, city and county, city, town, or school district of this state; the investments to be made in such manner and on such terms as the board shall deem best for the fund. All such bonds purchased by the board under the provisions of this section must be delivered to the state treasurer who shall keep them as a special school fund deposit, and the interest upon such bonds when collected shall be placed by him to the credit of the state school fund.

677. Whenever and as often as there is in the state treasury to the credit of the estates of deceased persons' fund (in excess of the retention hereinafter provided for) the sum of ten thousand dollars or more, the board must invest the same in the bonds of this state, or in the bonds of the United States, or in the bonds of the several counties, city and county, permanent road districts, cities and towns, or school districts of this state; the investments to be made in such manner and on such terms as the board shall deem best for the fund. No investment shall be made which with the amounts previously invested shall reduce the uninvested portion of the fund below

the amount of ten thousand dollars, and whenever a demand presented against said fund will reduce the amount of cash therein below the specific amount of ten thousand dollars, it shall be the duty of the board to sell such bonds belonging to said fund as they may deem proper, for the purpose of making good the cash retention of ten thousand dollars.

Bonds purchased by the board under the provisions of this section must be delivered to the state treasurer, who shall keep them as a portion of said estates of deceased persons' fund, and the interest upon such bonds shall be paid into the state school fund and apportioned like other moneys employed for the support of common schools.

678. Whenever under the provisions of law the board of supervisors, trustees, common council, or other governing boards or bodies of any county, city or county, city or town, or school district of this state shall advertise the sale of bonds voted for any purpose, the clerk of such board, trustees, common council, or other governing board or body shall forthwith, by mail, postage prepaid, notify the state board of control and state treasurer, at the capitol, of such issuance and sale of bonds, and shall specify the purposes for which such bonds were voted, the amount of the total issue for each purpose, the denomination of each bond showing date of issuance and date of maturity, the rate of interest showing when and where payable, the assessed value of the property upon which such bonds are a lien and the total amount of other bonded indebtedness which is a lien upon said property.

679. At any sale of bonds by the state treasurer the board may become bidders and purchase bonds with the funds at their disposal, and the appropriate transfer of funds must be made by the controller and treasurer on the books of their offices. No purchase of bonds shall be completed by the board until the attorney general shall have approved the validity of the issue.

680. The board, with the consent of the governor, shall have power to authorize the creation of deficiencies in any appropriations of money made by law in cases of actual necessity and shall authorize the payment of deficiencies out of any money which may be appropriated for such purpose. No deficiency shall be authorized except upon the written authority, first obtained, of a majority of the members of the board and of the governor. Any indebtedness attempted to be created

against the state in violation of these provisions shall be null and void, and shall not be allowed by the board of control or the controller.

681. The board shall have power to authorize the sale or exchange of any property, except real estate, which belongs to the state and which, in their judgment, it shall be for the best interests of the state to sell or exchange.

682. The board shall have general powers of supervision over all matters concerning the financial and business policies of the state, and shall, whenever they deem it necessary or at the instance of the governor, institute or cause the institution of such investigations and proceedings as they may deem proper to conserve the rights and interests of the state.

683. All contracts entered into by any state officer, board, commission, department, or bureau, for the purchase of supplies and materials, or either, shall before the same becomes effective be transmitted with all papers, estimates and recommendations concerning the same, to the state board of control for consideration. If a majority of such board approve the same, it shall, from the date of such approval, be in force and effect. No state officer, board, commission, department, or bureau, shall purchase supplies and materials, or either, in open market, unless permission has been given, upon a presentation of the necessity therefor, by the state board of control; *provided,* that to meet an emergency, supplies and materials of a perishable nature, in an amount not exceeding one hundred dollars in value, may be purchased by such state officer, board, commission, department, or bureau without the permission of the said board of control.

684. Whenever by the provisions of this code or any statute or law now in force or that may hereafter be enacted a duty is imposed or authority conferred upon the "state board of examiners" or the "board of examiners" and the members thereof such duty and authority are hereby imposed and conferred upon the state board of control and the members thereof, the same as though the title of the state board of control had been specifically set forth and named therein. For the purposes of this chapter the terms "state board of examiners" and "board of examiners," respectively, shall be construed to mean and refer to the "state board of control," and wherever in this code or in any statute or law the term "member of the state board of examiners" or "member of the board of

examiners" is used it shall be construed to mean and refer to a "member of the state board of control."

685. Every state office, board, commission or department to whom is given by law the authority to make purchases of material or supplies, must, upon the request of the board of control, designate some certain officer or employee in such office, board, commission or department whose duty it shall be to make such reports at such times and in such manner to the board of control as said board shall from time to time require.

686. There is hereby established in connection with and under the supervision of the state board of control a department of public accounting. The board shall appoint a superintendent of accounts at an annual salary of three thousand dollars, and two assistants at an annual salary of twenty-seven hundred dollars each. Such appointees shall be skillful accountants and well versed in public accounting. They shall (each) execute a bond to the state in the sum of ten thousand dollars. They shall be civil executive officers and their salaries shall be paid in the same manner and at the same time as the salaries of state officers are paid. The board may also appoint such additional accountants as may be necessary to carry on the work of the department at salaries not to exceed for any one of such appointees the sum of twenty-four hundred dollars per annum. Such salaries, upon authority of the board, shall be paid out of money appropriated for the use of the department at the same time and in the same manner as the salaries of state officers are paid. Such accountants shall be chosen from persons who have successfully taken an open competitive examination given along practical lines showing their fitness for the work required. They shall each execute to the state a bond in the sum of five thousand dollars. All of the appointees in this section are empowered to administer oaths in the furtherance of their official duties.

687. The board of control, through the department of public accounting shall devise, install and supervise a uniform system of accounting and reporting for any and all officers or persons in this state permitted or charged by law with the keeping of public accounts and records, and the custody, control and handling of public money or its equivalent, to the end that there shall be obtained similar and comparable data for every public office and every public account of the same

class, and that there shall be a general, systematic and uniform check upon the receipt and disbursement of all public revenue.

688. With the sanction of the state board of control, the department of public accounting may require from all such officers or persons mentioned in the foregoing section financial and statistical reports, duly verified, covering the period of each fiscal year, which report shall be made out upon blank forms prescribed and adopted and furnished by the department of public accounting, and mailed to such officers or persons not less than sixty days before the time such reports are required to be filed with such department. When necessary, the department may require special reports from any such officers or persons, which must be filed with the department without delay.

689. The department of public accounting is given full power to examine, through any of its officers or appointees, all accounts and all financial affairs of every officer or person mentioned in section 687 of this code, and shall have the right to enter into any public office or institution in this state and examine any books, papers or documents contained therein or belonging thereto for the purpose of making such examination, and shall have access, in the presence of the custodian thereof, or his deputy, to the cash drawers and cash in the custody of such officer or person and shall also have the right, during business hours, to examine the public accounts in any depository which has public funds in its custody.

690. Any officer or person who shall fail or neglect to make, verify and file with the department of public accounting any such report as is required by this article, or who shall fail or neglect to follow the directions of the department of public accounting in keeping the accounts of his office, or who shall refuse to permit the examination or access to the books, accounts, papers, documents or cash drawer or cash of his office to a representative of said department, or who shall in any way interfere with such examination, shall be guilty of a misdemeanor and upon conviction shall be fined not less than one hundred dollars nor more than one thousand dollars or shall be imprisoned in the county jail not less than thirty days, or both.

691. The board must biennially report to the legislature a history of its transactions and investigations.

Tennessee. On April 6, 1917, Tennessee passed an act providing for the adoption of a budget system and setting forth in unusual detail the procedure to be followed. The preparation of the budget is vested, in the first instance, in the hands of a State Budget Commission, created by the act, composed of the Governor as chairman, and the comptroller, treasurer, secretary of state and auditor. All departments and institutions receiving aid from the state are required to submit their estimates to this body and the comptroller must furnish it with financial statements regarding revenues and expenditures, balances, etc.

On the basis of these estimates and statements and on the results of a complete study of the state services and institutions which it is directed to make, the commission is directed to prepare and print a tentative budget. Public hearings on this budget must then be held at which the heads of all services and institutions have a right to be present and heard in respect to their estimates. It is further provided that the Governor-elect and the members of the legislature shall be invited to sit with the commission at such hearings. Following these hearings the commission is directed to prepare and submit to the legislature upon its convening a revised budget representing its final opinion regarding the provisions that should be made for the financing of the state during the ensuing biennium.

Though the act thus vests the preparation of the budget in a commission, instead of in the hands of the Governor, it is evidently the idea of the legislature that the latter shall have a leading part in this act, since, in addition to making him the chairman of the commission, the act provides that "at the time of transmitting to the legislature his estimates as above required, the Governor shall make such recommendations relative to the appropriations for which estimates are submitted as to him shall seem proper."

A feature of special interest in this act is that it makes provision for the important power of effecting transfers between

appropriation heads and of meeting expenditures required by emergency conditions though express appropriations therefor may not have been made. Such transfers and emergency expenditures can only be made upon the approval of the Budget Commission being first obtained.

Another feature of importance is the provision that the budget shall be considered by the appropriations committees of the two houses sitting jointly, and that such meetings shall be public at which all interested parties, including the representatives of the press, citizen organizations and taxpayers shall have a right to be present and be heard. It will thus be seen that unusual precautions have been taken to secure publicity, both when the tentative budget is under consideration and the final budget is being passed upon by the committees of the legislature.

The commission is given power to employ adequate assistance for the performance of its work and to require from the services and institutions information needed by it. The clause which provides that "all bills introduced in either House carrying appropriations should be itemized according to the classifications and in such form as the Budget Commission shall prescribe" will make it possible for that body to ensure that the money voted shall be voted in such a way as to furnish the basis for an accounting system that will produce the data regarding expenditures in the forms required for budgetary purposes.

Following is a copy of this act:

An Act to establish a general budgetary system for the State of Tennessee, to create a budget commission, prescribe its duties; and to provide ways and means for the enforcement of this Act. Approved April 6, 1917. (Acts of 1917, Chapter 139.)

Section 1. There shall be and there is hereby constituted and established a State Budget Commission, which shall be composed of five members, as follows: The Governor, the Comptroller, the Treasurer, the Secretary of State, and the

Auditor, of which Commission the Governor shall be chairman.

Sec. 2. On or before the first day of December, biennially in the even numbered years, there shall be filed with the Budget Commission by each State officer or head of department and by each State Board, Commission or Board of Trustees in charge of any institution supported wholly or in part by appropriations from the State Treasury, except educational boards and institutions, an estimate in itemized form, in detail, of the amounts required by such State office, department, board, commission or institution, for the proper support and maintenance, extension or improvement of the work of said office, department, board, commission or institution for the biennial period beginning with the first day of July thereafter; together with an estimate of the probable revenues of said office from all sources, including assessments and license or other fees for said biennium; also a statement showing the revenues and expenditures for the last preceding biennial period, all of which shall be arranged in proper manner, in detail by classifications and by summaries and made in such form as the Budget Commission shall prescribe.

Sec. 3. On or before the first day of December, biennially in the even numbered years, the Comptroller shall furnish to the Governor the following statements:

1. A statement showing the balance standing to the credit of the several appropriations for each department, institution, commission and officer of the State, except educational boards and institutions, and for each and every current purpose of the State government at the end of the last fiscal year.

2. A statement showing monthly revenues and expenditures from each appropriation account in the twelve months, and the monthly revenues and expenditures from all the appropriation accounts in the twelve months of the last fiscal year.

3. A statement showing the annual revenues and expenditures of each appropriation account for each year of the last two fiscal years in which any appropriation account has existed.

4. A statement showing the monthly average of such expenditures from each of the several appropriation accounts for the last fiscal year, and also the total monthly average from all of them for the last two fiscal years.

Sec. 4. On or before the first day of October, biennially in the even numbered years, the Budget Commission must have completed a field survey of all boards, commissions, departments and offices of the State, except educational boards and institutions through which shall be gained the working knowledge of the State's activities, upon which the Budget Commission shall base their analysis of the tentative budget and their recommendations transmitted to the legislature by their chairman, the Governor. During the interregnum between October first and the convening of the legislature on January first the tentative budget shall be compiled by the Budget Commission, summaries prepared showing comparisons with revenues from all sources and expenditures by the department board, commission or office, except educational boards and institutions for each of the two preceding years, reasons for decreases and increases given, definitions of functions, departments, boards and commissions furnished, and general efficiency notes and constructive criticisms prepared.

The budget shall be printed and at least one copy furnished to each member of the legislature on or before the fifteenth of January.

Sec. 5. The State officers, departments, commissions, boards and institutions, except educational boards and institutions, upon request shall forthwith furnish to the Budget Commission any information desired in relation to the affairs of their respective offices, departments, institutions, commissions and boards. The Budget Commission, after public hearing thereon, at which it may require the attendance of heads of departments and their subordinates, and at which hearings State officers, heads of departments, members of commissions, or boards of trustees in charge of any institution shall have the right to be heard upon their estimates shall revise such budget estimates according to its judgment. The Governor-elect and the members of the legislature shall be invited to sit with the Budget Commission at such hearings. All reports of the Budget Commission shall be furnished to the Governor-elect.

Sec. 6. Upon the convening of each regular session of the legislature, the Governor, as Chairman of the Budget Commission shall transmit to the legislature the budget of current expenses of the State for the biennial period beginning on the first day of July next thereafter, which budget shall include in addition to the estimates for the various State of-

fices, departments, commissions, boards and institutions, except educational boards and institutions, an estimate for an appropriation for emergency purposes for the ensuing biennial period, together with the estimates submitted to the Budget Commission by such State officers, departments, commissions, boards and institutions, and also the information furnished the Budget Commission by the Comptroller in accordance with Section 3 of this Act in form suitable for comparison.

The money appropriated for emergency purposes shall be expended only by the Budget Commission for the payment of emergency claims against the State for which no specific appropriations shall have been made, and in every such case the Budget Commission shall certify in writing to the Treasurer and Comptroller that such a claim is an emergency claim and state their reasons in writing for the expenditure from said emergency fund.

At the time of transmitting to the legislature his estimates as above required, the Governor shall make such recommendations relative to the appropriations for which estimates are submitted as to him shall seem proper. The Budget Commission may before final action by the legislature thereon amend or supplement the budget.

Sec. 7. All appropriations made by the legislature shall be paid out of funds appropriated for that purpose in the State Treasury at such times and in such amounts as provided by law; but no money shall be drawn from any fund in the State Treasury in excess of the total appropriation for such State office, department, commission, board or institution, nor in advance of the time when it is needed by said State officer, department, commission, board or institution for use for the purpose for which the appropriation was made. The creation of deficiences by department heads and disbursing officers is hereby prohibited, and the penalty for the violation of this section of the Budget Act shall be a fine of not less than One Hundred Dollars.

Sec. 8. No transfer of funds appropriated for any item in the appropriation for any State office, department, commission, board or institution, shall be made except upon the written request of the chief officer or officers of such State office, department, commission, board or institution, to the Budget Commission, which request shall be granted in writing by the

Budget Commission if, in its judgment, such a transfer of funds is deemed necessary or expedient.

Sec. 9. At any time the Budget Commission, or their duly accredited representatives acting under their instructions, may examine without notice the affairs of any department, institution, public work, commission or office of the State for the purpose of ascertaining facts and making findings and recommendations relative to increasing the efficiency of and curtailing the expense therein. In connection with such examination, the Governor may compel the attendance and testimony of witnesses, administer oaths, and examine such persons as deemed necessary, also compel the production of books and papers. The orders and subpœnas issued by the Budget Commission, in pursuance of the authority in them vested by the provisions of this Section may be enforced upon the application of the Budget Commission to any Court of record by proceedings in contempt therein as provided by law.

Sec. 10. The committees of the House and Senate being in charge of appropriation measures shall sit jointly in considering the budget, which meetings shall be public and to which there shall be admitted and heard all parties interested in the estimates under consideration, the press, representatives of citizens organizations, taxpayers, et al. At these public hearings the Budget Commission shall have the right to sit and be heard on all matters coming before this joint committee.

Sec. 11. All unexpended balances at the end of each biennium shall be reappropriated to each State officer, department, commission, board or institution for the full period of one calendar month after the last day of June to be used only to liquidate liabilities incurred and unpaid prior to the last day of June of the biennium according to schedules, which must be prepared by each State officer, department, commission, board or institution, which shall show the actual liabilities existing. It shall be the duty of the Budget Commission through its chairman to report to the House the bill making these reappropriations. Upon the expiration of the aforesaid calendar month for which such unexpended balances have been used to liquidate liabilities incurred and unpaid in strict accordance with the schedules submitted by each state officer, department, commission, board or institution prior to the last

day of June of the biennium, shall revert to the State Treasury from which they were originally appropriated.

On or before Monday of each month every State officer, department, commission, board or institution, except educational boards and institutions, receiving State aid shall pay into the Treasury of the State the total of all collections received for the State or for the use of any such State officer, department, commission, board or institution receiving State aid during the preceding month from taxes, assessments, licenses, premiums, fees, penalties, fines, costs, sales, rentals or otherwise, and file with the Auditor of the State a detailed, verified statement of such receipts.

Sec. 12. For all State officers, departments, commissions, boards and institutions of the State, the fiscal year shall be and is hereby fixed to begin on the first day of July of each year and to end on the last day of June of the succeeding year, and all reports of the departments, offices, commissions, boards and institutions shall be made as of those dates, that the Budget Commission shall prepare an estimate of expenditures of all State offices, departments, commissions, boards and institutions to be incurred by them from March 19, 1919, to July 1, 1919.

Sec. 13. Every department, office, commission, board and institution except educational boards and institutions of the State shall keep a book or books, showing in detail every credit, disbursement and receipt, if any, and shall keep on file a duplicate of every voucher certified to the Comptroller for payment and shall monthly compare his account with account kept in the office of the Comptroller.

Sec. 14. Any person having a claim against the State, which requires action by the legislature, shall file with the Budget Commission a statement of the amount of the claim, together with a brief statement of the facts upon which it is based.

Sec. 15. All bills introduced in either House carrying appropriations should be itemized according to the classifications and in such form as the Budget Commission shall prescribe.

Sec. 16. The Budget Commission shall be allowed to employ such experts and clerical assistants as may be necessary and shall be permitted to incur necessary expenses for printing, stationery and other incidentals. The members of the

Budget Commission and employees shall be allowed necessary traveling expenses while engaged upon the work of the Commission. Such sums of money as may from time to time be necessary to meet the requirements of this Act are hereby appropriated from any moneys in the general fund of the State Treasury not otherwise appropriated.

Sec. 17. All laws and parts of laws in conflict with the provisions of this Act be and the same are hereby repealed, and that this Act take effect from and after its passage, the public welfare requiring it.

CHAPTER VI

BUDGETARY LEGISLATION BY THE INDIVIDUAL STATES: WISCONSIN, VERMONT, NORTH DAKOTA, SOUTH DAKOTA

Wisconsin. Prior to the movement for reform, which will be described, the system of financial administration in Wisconsin was not dissimilar from that found in most other states. Nothing in the nature of a budget obtained. It is true that the secretary of state was required by law to submit to each biennial session of the legislature estimates of appropriations needed for the ensuing two years and to state the condition of the treasury. It appears, however, that the document resulting was of little or no value.

This report is, however, of comparatively little value. The estimates are not based upon requests from the various departments, but are merely recitations of previous grants for similar purposes and the opinion of this official as to the future needs for their respective services. Inasmuch as the report is based upon the calendar year, while the fiscal year begins July 1, the report is of little service for comparative purposes.[1]

Conditions in respect to the appropriation of funds were especially bad.

No uniformity is found with respect to the form of the appropriation bills. Some appropriation measures run for the biennium; some, especially those dealing with new construction, for a specific period of years and the greater part of them run, by virtue of permanent statute, until specifically

[1] The Budget, by S. Gale Lowrie: Wisconsin State Board of Public Affairs, 1912, p. 250.

repealed. With respect to the definitions in the amount of appropriations there is a like variation. Some appropriations specify definitely the amount to be used; others state a maximum, and some are unlimited in amount, the statutes authorizing the payment of a sum sufficient to carry out the purposes of the law. This, according to the interpretation of the Attorney-General, constitutes a legal appropriation. Besides this there is a statute authorizing the Secretary of State to issue warrants in payments of grants whenever the statutes authorize expenditures to be made. This makes it impossible to determine with any definiteness what appropriations are authorized for the various departments, inasmuch as statutes fixing salaries or allowing traveling expenses are under the law considered appropriations.[1]

A large part of the expenditures of the state for this reason, and because Wisconsin probably more than any other state, provided for the support of its institutions and departments by permanent statutes which ran until repealed, thus did not come before the legislature for biennial review.

The state had, however, one excellent feature in respect to the system employed for the consideration of appropriation bills. This was that all bills carrying an appropriation had to go to a Joint Committee on Finance of the two houses. They might go in the first instance to committees having jurisdiction of their subject matter, but after consideration by these committees they went to the Joint Committee on Finance for consideration in respect to their financial aspects. This afforded a very desirable concentration of authority not only in the houses individually but in the legislature as a whole.

Unfortunately, however, for reasons already enumerated, this committee did not get the information needed in order that it might perform its function properly.

A most serious criticism should be directed toward the fact that too little information is available for the legislature in its consideration of the fiscal plan and that no system is in use which will centralize the responsibility for making use of

[1] Lowrie, op. cit., p. 251.

financial programs or of administering them. Bills are often introduced entirely unofficially and it is impossible to determine whether or not they represent the real needs of the state services. The only examination given them is a hurried study by the joint committee of finance during the pressure of the session. Any information here developed is usually mastered only by the chairman of the committee, consequently it is impossible to give these matters the scrutiny and care which they deserve.[1]

The first step towards the correction of this, and of budgetary reform generally, was made by the Committee on Finance in 1911, when it employed expert accountants to assist it in its work and called upon the departments to submit their estimates upon forms prepared and sent out by the committee. In point of fact little was accomplished by this move, due partly to the fact that the information sought was received at too late a date to be of much value, and partly to the fact that the work of critically examining and revising estimates cannot be done by a body having no basis of past experience and no intimate relations with the services from the administrative standpoint.

Persuaded by this the legislature in the same year, 1911, took the important step of providing for the creation of a permanent body that should have this duty of compiling the estimates.[2] This body was given the name of State Board of Public Affairs and was made to consist of the Governor as chairman, the secretary of state, the chairman of the finance committees of the two houses and two other members, who it was expressly provided should not be members of the faculty of the University of Wisconsin. A statute of 1913[3] added to the board the president pro tem. of the senate and the speaker of the assembly, a third member to be appointed by the Governor and made certain other changes in the provisions of the original act.

[1] Lowrie, op. cit., p. 15.
[2] Acts of 1911, Chapter 583.
[3] Acts of 1913, Chapter 728.

According to this act as amended the board had the powers only of taking steps looking to the formulation of the estimates according to a uniform plan and of compiling and submitting the estimates as received by it. In 1915 the act was so amended, however, as not only to confer upon the board the duty of submitting its recommendations in respect to appropriations needed but of acting as a general administrative board to prescribe methods looking to the efficient conduct of public affairs. To enable it to perform its duties it was given large powers of requiring the production of papers, the taking of testimony under oath, the employment of experts, etc.

Regarding the practical results of this system, the commission to compile information for the Massachusetts Constitutional Convention, now in session, received under date of Sept. 9, 1916, the following interesting communication from the secretary to Governor Philipp, of Wisconsin.[1]

Prior to this time (1913) a single department might have one or a dozen appropriations for the same purpose, as, for example, the department would have an appropriation for the general running expenses; likewise appropriations for the salaries of the commissioners and another appropriation for the salaries of clerks. In the case of almost every department, board and commission, in addition to the appropriations of stated amounts, they were furnished stationery, office supplies, postage, etc., by the Superintendent of Public Property. In the matter of printing, they were likewise required to be furnished unlimited amounts by the State Printing Board. In consequence of this system, or possibly lack of system, departments, boards and commissions were little concerned with the cost of printing or the cost of stationery and office supplies, as these amounts did not appear charged against their accounts.

The budget plan aims to put all State boards, departments and commissions, wherever practicable, upon a limited appropriation basis; all expenses incurred by a department, board or commission being chargeable to its particular appropria-

[1] The Massachusetts Constitutional Convention 1917. Bulletin No. 2, State Budget Systems in the United States, pp. 27-28.

tion. Under the budget plan, appropriations are divided into three main classes according to the nature of the expenditure, namely: (1) operation, to cover the running expenses of the board, department or commission; (2) capital, for the purpose of new property; and (3) maintenance, for the upkeep of permanent property. By making appropriations under these three main headings, legislative control over appropriations is obtained, in that the law does not permit the expenditure of either capital or maintenance appropriations for operating purposes.

In speaking of the budget system in general, it may be stated that it has resulted in savings for the State of Wisconsin in that the system demands greater accountability. Every two years, the budget is submitted to the Legislature. In this budget are contained the actual disbursements as made from previous appropriations. The departments, knowing that they will be called to account by the Legislature, are, as a rule, more careful to see that the letter and intent of the law is carried out. The Auditor of State can likewise make a stricter audit of the accounts in that he has definite information before him as to the real purpose of the appropriation. Before a bill is passed for payment, it is determined whether or not this particular expenditure was included in the department budget.

The budget system has introduced a reform in procedure which likewise results in saving to the State. Formerly, during the legislative session, it was the custom for the heads of departments to lobby for their particular appropriation measures. This has been done away with to a very large extent. The majority of the departments, after their budgets have been submitted to this office, pay very little attention to the same until they are called to the Joint Finance Committee of the Legislature.

At the present time, I think we can say there is not a single department that is opposed to the budget system. We still have problems before us to be solved in connection with the system. It is still a question as to just how rigidly departments should be tied up in their appropriations.

Following is a copy of the act in its present amended form:

An Act relating to the Board of Public Affairs. Approved July 31, 1913 (Acts of 1913, Chapter 728). Amended by

acts approved August 26, 1915 (. I apter 606), and acts approved January 30, 1917, y 28, 1917 (Acts of 1917, Chapters 2 and 300).

CHAPTER 15

Section 15.01. In this chapter, unless such construction would be inconsistent with the manifest intent of the legislature, the terms,

(1) "Public body" means and includes every incumbent of any office or position under the constitution or laws of this state; every department, commission or board in which any such incumbent is employed as such; and every officer, office, department, commission, board, institution, body or organization, the conduct or operation of which involves the receipt, expenditure or handling of any state funds or property.

(2) "Accounts" means all accounts, books, records and reports relating to the jurisdiction of any public body.

(3) "Jurisdiction" means and includes all duties, liabilities, authority, powers or privileges imposed or conferred by law upon any public body.

Sec. 15.02. The governor, secretary of state, president pro tem. of the senate, speaker of the assembly, chairman of the senate finance committee, chairman of the assembly finance committee, and three other persons, none of whom shall be a member of the faculty of the university of Wisconsin, appointed by the governor and approved by the senate, constitute the board of public affairs.

Sec. 15.03. (1) On or before the first day of February in each odd-numbered year the governor, by and with the advice and consent of the senate, shall appoint the three appointive members of such board, each for a term of two years from the said first day of February.

(2) A vacancy in the office of any appointed member shall be filled by appointment by the governor for the unexpired term, subject to confirmation by the senate, but any such appointment shall be in full force until acted upon by the senate.

(3) The governor may at any time remove the appointed members of such board for inefficiency, neglect of duty, or malfeasance in office, in the same manner as provided in paragraph b, of section 1797-1, of the statutes.

Sec. 15.04. The board shall keep its offices in the state capitol. The governor shall be chairman and executive officer of the board *and as such shall be responsible for executing the duties imposed upon the board and the program authorized by it* and the board shall elect a vice chairman to act in the absence of the governor.

Sec. 15.05. (1) Such board may appoint a secretary, who shall be a man of experience and character that qualify him to direct investigations into the operation of public bodies and into the business and financial methods employed by them, to prepare blanks for budget estimates, and to perform all other duties required by such office.

(2) The secretary, experts and accountants employed by the board shall not be subject to the operation of chapter 16 relating to the civil service.

Sec. 15.06. (1) Each member of the board, for the purposes mentioned in this chapter may administer oaths, certify to official acts, issue subpœnas, compel the attendance of witnesses and the production of papers, books, accounts, documents and testimony. In case of disobedience on the part of any person to comply with any order of the board or any member thereof or any subpœna issued in behalf of such board, or on the refusal of any witness to testify to any matters regarding which he may be lawfully interrogated, it shall be the duty of the circuit court of any county, or the judge thereof, on application of a member of the board to compel obedience by attachment proceedings for contempt, as in the case of disobedience of the requirements of a subpœna issued from such court, or a refusal to testify therein.

(2) The board or any party in any investigation conducted under this chapter, may cause the depositions of witnesses residing within or without the state to be taken in the manner prescribed by law for taking depositions in civil actions in circuit court.

Sec. 15.07. Each witness who appears before the board by its order shall receive for his attendance the fees and mileage provided for witnesses in civil cases in courts of record, which shall be audited and paid upon the presentation of proper vouchers sworn to by such witnesses and approved by the chairman of the board. But no witness subpœnaed at the instance of parties other than the board shall be entitled to compensation from the state for attendance or travel, unless

the board certifies that his testimony was relevant and material to the matter investigated.

Sec. 15.08. (1) The board may adopt and publish rules to govern the proceedings, and to regulate the mode and manner of all investigations made by it and under its direction, and of all hearings held before it. *The records of the board, including records of time and money spent upon the board's investigation and other work, shall be open to public inspection subject only to reasonable regulations.*

(2) A full and complete record shall be kept of all proceedings had before the board of any investigation had under the provisions of this chapter and all testimony shall be taken down by the stenographer appointed by the board.

Sec. 15.09. Every public body shall give free access to its accounts to the board, and to its employees when acting under the authority of the board, and shall without compensation, upon written request from such board or any member thereof, furnish such facts and information as shall be within the knowledge of such public body or any employee therein, or contained in any accounts or investigations in the office or under the control of such public body.

Sec. 15.10. Every public body shall employ economical, efficient and accurate methods in the conduct of its affairs and accounts, and such as shall result in a reasonable harmony with all other such public bodies; shall keep such accounts as adequately disclose its affairs; and shall make such reports at such times as are reasonably necessary, and in such form as adequately discloses the facts relating to the exercise of its jurisdiction.

Sec. 15.11. (1) The board shall have such supervision of every public body as is necessary to secure uniformity and accuracy of accounts. It may inquire into the methods of conducting the affairs of any public body; it may prescribe and direct the use of such forms of accounts as may be necessary to carry out the purposes of this chapter; it may prescribe and direct the use of standards and records of efficiency of employees; it shall inaugurate, supervise and conduct adequate systems of examination and inspection of accounts of every such public body; it may cause to be prepared suitable blanks, books and records for carrying out the purposes of this chapter; and shall, when necessary, furnish such blanks and records to any such public body; provided, that when the ex-

pense of such blanks, books or records has been charged against the appropriation for the board of public affairs the secretary of state shall charge the cost of supplies so furnished against the general appropriation account of the public body receiving the same and shall credit the appropriation of the board of public affairs with a like amount.

(2) The board shall devise for all public bodies uniform systems of accounts and uniform accounting procedures adequate to record in detail all transactions affecting the acquisition, custodianship and disposition of values, including cash receipts and disbursements, and every such public body shall keep its accounts and maintain its accounting procedure accurately and faithfully as prescribed and directed by the board.

Sec. 15.12. (1) Not later than July 1, in each even-numbered year, the board shall distribute to each public body the proper forms necessary to preparation of budget estimates which shall show the actual revenues and expenses including accruals of all public bodies for at least the two prior fiscal years and shall show in corresponding detail the estimated revenues and expenses including accruals for all public bodies for the succeeding biennial period and shall further show whether and in what amounts the estimates are larger or smaller than the corresponding items of expenditures for each of the years included in the budget report.

(2) Not later than September 1, in each even-numbered year, each public body shall return to the board its estimates of the succeeding biennium with full explanation of reasons for changes above or below the corresponding items for the previous biennium. The estimates from all public bodies shall be immediately compiled under direction of the board and reviewed by means of such field examinations and interviews or correspondence as may be necessary to secure full information.

(3) The results of these examinations together with the estimates and departmental explanations shall, between the tenth day of November and the first day of December, in each even-numbered year, be laid before the whole board which shall not divide into committee for such review. The governor elect shall be invited and shall have the right to be present at such meetings or to have a representative attend and shall be given such information as the board possesses. All reports

and information sent to members of the board shall be sent to the governor-elect.

(4) Not later than December 15, in each even-numbered year, the board shall recommend to the legislature a budget, which, in addition to giving comparison of estimates for the succeeding biennium with each of the years included in the budget report, shall also give the amounts which the board recommends, item for item, with columns showing whether the recommended allowances are equal to, above or below the amounts requested and whether they are equal to, above or below the amounts for the first year of the preceding biennium together with explanatory notes which will show the board's reasons for recommending allowances and disallowances. With the printed recommendations and reasons for recommendations shall be included a record of the vote upon each recommendation, where such vote is not unanimous. The report shall include any recommendations which a minority or the governor-elect may wish to have included in the report.

(5) Not later than January 1, in each odd-numbered year, copies of the estimates with the board's recommendations shall be distributed to members of the legislature next to convene.

Sec. 15.13. The board shall also investigate duplication of work of public bodies and the efficiency of the organization and administration of such public bodies and shall formulate plans for the greater coördination of such public bodies and the improvement of state administration in general. The board shall report the results of such investigations to the legislature with specific printed recommendations giving in detail the reasons therefor. *In all reports published or otherwise submitted by the board the conclusions or recommendations shall be accompanied by a summary of the facts upon which the conclusion or findings are based, the names of the members of the board who approved the report and a summary of the investigation pursued to secure the facts. Where the board is not unanimous in its recommendations or findings, a summary of the minority position shall be included with the majority report.*

Sec. 15.14. The jurisdiction of the governor and attorney-general imposed and conferred by section 14.56 (sic)* of

* Section 14.66. The governor and attorney-general shall, at least once in each quarter year, and at such other times as the governor may

the statutes, are imposed and conferred upon the board of public affairs.

Sec. 15.15. The jurisdiction of any public body relating to the employment of accountants in the examination of accounts is hereby imposed and conferred upon the board of public affairs, and the cost of such examination shall be charged against the proper appropriation for the public body whose accounts are examined.

Sec. 15.16. Any person violating any of the provisions of sections 15.01 to 15.15 inclusive, shall be deemed guilty of a misdemeanor, and upon conviction thereof, shall be punished by a fine of not less than ten dollars nor more than one hundred dollars, or by imprisonment in the county jail for not more than three months.

Vermont. In 1915, Vermont joined the list of states making provision for the use of a budget in the administration of its financial affairs. By an act approved March 6, of that year it provided for the creation of a Committee on Budget which should have the duty of receiving, compiling and presenting to the legislature a consolidated statement of estimates of appropriations and revenues. This act was amended March 21, 1917, in several particulars:

In more than one respect this law is an exceedingly interesting enactment. Unusual pains have been taken to ensure that the budget to be prepared by the Committee on Budget shall be a comprehensive document. Not only is it provided that all departments shall submit their estimates of expenditures to this body but that they shall make their requests in no other way unless the need arises after the budget has been prepared. Thus section 5 of the act provides that:—

No state officer, department or institution shall apply to the legislature for any appropriation unless a request for the

elect, examine and see that all the money appearing by the books of the secretary of state and state treasurer as belonging to the several funds is in the vaults of the treasury or in the several state depositories, and in case of a deficiency shall require the treasurer to make up such deficiency immediately; and if such treasurer shall refuse or neglect for ten days thereafter to have the full sum belonging to said funds in the treasury the attorney-general shall institute proceedings to recover the same.

same has been filed with the secretary of the Committee in accordance with the provisions of this act; unless the occasion for such request shall have arisen subsequent to the first day of November in the year next preceding the session of the legislature, at which the same is requested.

Furthermore, it is provided that the Budget Committee shall take due notice of all claims against the state and of all bills introduced in the legislature calling for an appropriation and shall prepare a schedule of such calls for appropriations and add the same to the budget to the end that the latter will represent a complete statement of expenditure proposals to be acted upon by the legislature.

In like manner it is provided that the committee shall prepare as a part of its budget—

a statement showing the revenues of the state for the current biennial fiscal period to date and the next two preceding biennial fiscal periods, from whence such revenues were derived, and a statement of the expenditures of each department of state, with an itemized account of the purpose thereof for the current biennial fiscal period to date and the next two preceding biennial fiscal periods in such manner and form as to enable a comparison with the revenues and expenditures of each of the three periods, so tabulated, with the ensuing biennial fiscal period.

Secondly, it should be noted that this committee is no mere compiling agency. It is expressly directed to revise all estimates and to give its opinion regarding what expenditures should be authorized. That this opinion may be one of value the committee is empowered to make such examinations into the organization and work of the departments and institutions and their needs as it deems fit.

In this connection it should be pointed out that the committee has been given such broad duties and powers that it is much more than a mere budget committee in the narrow sense. Thus the provision that the committee

shall have authority to take any means it deems necessary

to enforce the provisions of the budget and ascertain whether or not such departments and institutions are being operated at a minimum expense consistent with efficiency and within the appropriations as provided in the budget, and may make such suggestions and orders as it deems advisable,

makes of this body a permanent commission on economy and efficiency.

Again Section 14, which empowers the committee to authorize expenditures for unforeseen circumstances makes of the committee an emergency board such as is possessed by certain other states.

Another provision of the act meriting attention is that which provides for the assembling of all appropriations in a single consolidated appropriation act. This provision has the merit of making it possible, not only for officers of the government, but for the public generally, readily to determine what appropriations have been made.

Much the most noteworthy provision of the act, however, is the character of the composition of the committee. It is made to consist of the Governor, as chairman, the auditor of accounts, the state treasurer and other members of the board of control, and the chairmen of the senate committee on finance and the house committees on ways and means and appropriations. The committee is thus, in effect, a joint committee composed of ex-officio members of the legislative and executive branches of the government. This arrangement has these advantages: it establishes close working relations between the legislative and executive branches; it ensures that there will be on the floor of the two houses officers responsible in part for the framing of the estimates to explain and defend them; and it renders more likely that the budgetary proposals as formulated will be adopted with a minimum of change.

On the other hand, this provision has the very serious disadvantage that, instead of emphasizing the responsibility of the Governor as head of the administration it detracts

seriously from his powers. The budget as prepared is not the Governor's budget. He participates in its preparation only as he is a member of the committee. In thus failing to vest squarely in the hands of the Governor the duty of formulating the financial and work program for consideration by the legislature, the act runs counter to one of the most vital principles of budgetary reform. Placing the chairmen of the three committees dealing with financial matters on this committee, which as we have seen has important administrative powers, means that these chairmen are made administrative officials.

It is impossible to foretell how this arrangement will work out and it will be interesting to watch its results in practical operation.

The act, as amended in 1917, reads as follows:

An Act to create a Committee on Budget. Approved, March 6, 1915. (Acts of 1915, No. 26.) Amended by Act approved March 21, 1917. (Acts of 1917, No. 32.)

Section 1. [As amended by Act approved March 21, 1917.] The members of the board of control ([a]), the auditor of accounts, the chairman of the finance committee of the senate, chairman of the ways and means committee of the house of representatives and chairman of the appropriation committee of the house of representatives shall constitute a committee on budget; provided, however, that the chairman of such a committee may designate a member of such committee who shall be a member of the committee on budget in lieu of said chairman. The governor shall be the chairman of the committee on budget and the auditor of accounts its secretary. Said secretary shall keep the minutes of each meeting of the committee in a book kept for that purpose and such minutes shall be a public record. The members of such committee shall receive their necessary expenses incurred in the performance of

([a]) Section 1 of the act approved March 21, 1917 provides that: The board of control shall consist of the governor, state treasurer, auditor of accounts, director of state institutions and a person to be appointed biennially by the governor with the advice and consent of the senate.

their duties, and the chairman of the committee of the senate and house of representatives herein mentioned or members designated by said chairman, shall each receive four dollars a day for time actually spent in the performance of their duties while the General Assembly is not in session. Said secretary may expend such sums as the board of control deems necessary for clerical assistance in carrying out the provisions of this act, but such expenditure shall not exceed five hundred dollars in any biennial fiscal period.

Sec. 2. During the month of October in each even year, there shall be filed with the secretary of the committee by each individual or department of state requiring appropriations, upon forms prepared and furnished by the committee, statements showing in detail the amount appropriated and expended for the current biennial fiscal period to date, and the two next preceding biennial fiscal periods; and the amounts required by such individual or department of state requiring appropriations for the ensuing biennial fiscal period, arranged in proper manner in detail by classification and by proper summaries as may be required by the committee.

The term "biennial fiscal period" as used in this act shall be the period of the two fiscal years which ends in the biennial year.

Sec. 3. Such statement of moneys required for the support, maintenance, extension or improvement of the several departments of state shall show the needs under the following heads as nearly as may be:

(a) Salaries and wages, subdivided so as to show the number employed and the wages or salaries paid; the proposed increase or decrease, and any proposed new positions.

(b) Permanent improvements, such as new buildings, new departures or other proper investment. In case of new buildings, statement of size, manner of construction and estimate of cost and the immediate need of the buildings. All requests under this classification shall be fully itemized and explained so that the committee may judge fully as to the necessity and advisability for the same.

(c) All other expenditures, such as replacements, repairs and supplies properly arranged, itemized and classified.

(d) Contingencies. All requests to be accompanied by schedules and explanations showing exactly how the money requested is to be expended and the necessity therefor.

Said committee may at any time require further detail, itemization or explanation, as to any request made under this section.

Sec. 4. The secretary of the committee shall also receive and file a statement of any desired appropriation, for any purpose, which may be presented to him during the month of October of each even year by any individual, corporation, association or institution, including municipal corporations, intending to present the same at the next session of the legislature. The committee shall make all necessary investigation in relation thereto and shall present the same in the budget hereinafter provided for, with their recommendations and suggestions.

Sec. 5. A person having a claim against the state requiring action by the legislature shall, in like manner, file with the secretary of the committee a statement of the amount of the claim, together with a full statement of the facts upon which the claim is based. The committee shall make all necessary investigation in relation thereto and shall present the same in the budget hereinafter provided for, with their recommendations and suggestions.

Sec. 6. No state officer, department or institution shall apply to the legislature for any appropriation unless a request for the same has been filed with the secretary of the committee in accordance with the provisions of this act; unless the occasion for such request shall have arisen subsequent to the first day of November in the year next preceding the session of the legislature, at which the same is requested.

Sec. 7. At any time the committee may, without notice, visit and examine the affairs of any department, institution, public work, commission or office of the state for the purpose of ascertaining the facts and to make findings and recommendations relative to increasing the efficiency and curtailing the expense thereof.

Sec. 8. Before making the budget herein provided for, the committee shall examine all requests for appropriations and for the allowance of claims made in accordance with this act and may hold such hearings, either public or private, as it deems advisable.

Sec. 9. The committee shall, during the month of November of each even year, prepare a statement showing the revenues of the state for the current biennial fiscal period to

date and the next two preceding biennial fiscal periods, from whence such revenues were derived, and a statement of the expenditures of each department of state, with an itemized account of the purpose thereof, for the current biennial fiscal period to date and the next two preceding biennial fiscal periods in such manner and form as to enable a comparison with the revenues and expenditures of each of the three periods, so tabulated, with the ensuing biennial fiscal period.

Sec. 10. During such month of November the committee shall make an estimate of the revenues of the state to be received during the ensuing biennial fiscal period, with an itemized statement of the sources thereof, and shall also ascertain and report the amounts of all unexpended balances under appropriations heretofore made, and shall prepare an estimate or budget of the amounts required to be appropriated by the legislature for the conduct of the public business of the state in all its offices, institutions and departments for the biennial fiscal period next ensuing. Such budget shall be prepared with sufficient detail to show the aggregate sum and the items thereof estimated to be necessary for the maintenance and support of each office, institution and department of state for the ensuing biennial fiscal period. The committee shall have the power in making such estimate, to revise, increase, decrease or eliminate the sum required by any officer, institution or department, or by any person or institution filing a request for an appropriation or the allowance of a claim made in accordance with this act; but the committee shall include in its report the substance of such requests and the reasons for its action thereon.

Sec. 11. When the estimates and statements heretofore provided for in this act have been completed, the committee shall cause the same to be printed together with such recommendations as it deems best and a copy thereof forwarded to each member-elect of the incoming general assembly before the tenth day of December of each even year and shall also forward at least one copy to the clerk of each town in the state, who shall place the same on file in his office.

Sec. 12. Upon the convening of the next general assembly, the newly formed committee on budget shall receive the statements and estimates hereinbefore provided from the outgoing committee on budget, and upon examination of the same shall make such further revision as the committee shall

deem advisable; and shall make a consolidated statement of the same, which shall show, with such detail as the committee deems advisable, the income and expenditures of the state for the three preceding biennial fiscal periods and an estimate of the income and expenditures of the state in all its departments for the ensuing biennial fiscal period. Immediately after the time limited by the general assembly for the introduction of bills, the committee shall prepare a statement showing a schedule of all amounts contemplated to be appropriated by the various bills introduced to that date, together with the recommendations of the committee as to the advisability thereof and the same shall be added to the revised consolidated statement herein provided for.

Upon the disposal of such proposed appropriations, such of them as have been passed shall be added to the consolidated statement and the committee shall draft such consolidated statement as a bill, which shall be presented to the general assembly for its consideration, revision and ultimate passage as the budget bill, and which shall contain all the expenditures of the state in all its departments during the ensuing biennial fiscal period.

Sec. 13. The committee on budget shall meet at Montpelier at least every six months and oftener if requested by the governor, and shall examine the financial condition of all state departments and institutions and shall have authority to take any means it deems necessary to enforce the provisions of the budget and ascertain whether or not such departments and institutions are being operated at a minimum expense consistent with efficiency and within the appropriations as provided in the budget, and may make such suggestions and orders as it deems advisable.

Sec. 14. The committee on budget shall have the authority to make any expenditures necessitated by unforeseen circumstances or emergencies and may pledge the credit of the state for the same, and when any building or property of the state is damaged or destroyed by fire, the committee may use any moneys received from insurance on said building or property for the purpose of replacing, repairing or rebuilding the same and may borrow on the credit of the state such further sums as may be necessary to replace, repair or rebuild such building or property, and all sums of money used under the provisions of this section are hereby appropriated for the purposes mentioned in this section.

All moneys used and expended under the provisions of this section shall be included in the budget for the next biennial fiscal period. The committee on budget shall render an itemized statement accompanied by vouchers of the expenditure of all such moneys and the auditor of accounts shall print such statement in his biennial report.

Sec. 15. No. 232 of the acts of 1910 is hereby repealed.

Sec. 16. This act shall take effect from its passage.

North Dakota. On practically the same date (March 3, 1915, instead of March 6, 1915) that Vermont passed its act providing for a Committee on Budget, composed of the Governor as chairman, certain administrative officers and the chairman of the finance and appropriation committee of the legislature, North Dakota passed an act creating a strikingly similar body known as the State Budget Board. As in the case of Vermont this body was given the duty of securing the estimates of expenditures as prepared by the spending departments, of holding hearings upon them and of compiling and submitting to the legislature a budget representing its opinion as to the expenditure grants that should be made.

In our analysis of the Vermont act we have pointed out how this system fails to meet the requirements of a proper budgetary procedure. The chief points of criticism were: the failure to distinguish clearly between the responsibility for the formulation of a budgetary program and that of taking action upon such program; the granting of participation in the performance of the first act in offices of the legislative branch instead of vesting responsibility squarely upon the executive branch, and the failure to make the Governor, as head of the administration, the chief budgetary officer, with the budget board as his agent to assist him in the performance of this duty. The reasons supporting these criticisms have been so fully given in describing the Vermont act that they need not be repeated here.

Following is a copy of the North Dakota act:

An Act providing for the preparation of the State Budget;

creating a State Budget Board, etc. Approved, March 3, 1915. (Acts of 1915, Chapter 61.)

Section 1. There shall be, and there is hereby, constituted and established a State Budget Board which shall be composed of five members, as follows: The Governor, the chairman of the Appropriations Committee of the Senate of the preceding legislative assembly, the chairman of the Appropriations Committee of the House of Representatives of the said legislative assembly, the State Auditor and Attorney General. In case of inability to serve on said board on the part of any such person the vacancy shall be filled by the Governor by appointment from the membership of the preceding legislative assembly. The board shall meet and organize in the Governor's office, at the State Capitol, on the third Tuesday in November, 1916. The Governor shall be chairman of the board and the State Auditor shall be its secretary. The secretary shall keep the minutes of the board and shall record them in a suitable book to be kept for that purpose. The minutes of the board shall be a public record and shall at all times be open to public inspection. The members of the board shall be paid their actual and necessary expense incurred in the performance of the work and in addition thereto the said chairman of the Appropriations Committee of the Senate, the chairman of the Appropriations Committee of the house of representatives or such other member or members appointed by the Governor to fill the vacancy, shall each receive five dollars per day for each day of actual service and traveling expenses necessarily incurred.

Sec. 2. The State Budget Board may employ such expert accountants, clerks and stenographers as it shall deem necessary, and fix their compensation.

Sec. 3. Not later than August first of each year next preceding the session of the legislative assembly, the State Auditor shall send to the head of each department of this state government, and to each officer, board or commission, in charge of any educational, charitable, penal or other institution or undertaking, supported wholly or in part by appropriations from the State Treasury, a suitable blank form to be filled out by such head of state department, officer, board or commission, with an itemized statement of the amount of money which such head of state department, officer, board

or commission considers necessary for the proper maintenance, extension or improvement of the department, institution or undertaking in his or their charge, during the two fiscal years next ensuing. Such head of state department, officer, board or commission, shall return said blanks, properly filled out, on or before the first day of October of each year next preceding the session of the legislative assembly, to the State Auditor, together with such data and statements as may be necessary to fully and clearly explain the purposes and need of any appropriation which is requested by such head of state department, officer, board or commission.

Sec. 4. The State Budget Board shall meet on the third Tuesday in November of each year next preceding the meeting of the legislative assembly at the State Capitol. The State Auditor shall submit to the board the estimates required by Section 3 of this Act to be filed in his office by the head of each state department and by various officers, boards and commissions. The board shall thereupon proceed to prepare estimates for a State Budget of the amounts required to be appropriated by the state legislative assembly for the conduct of the business of the state in all its offices, institutions, departments and undertakings for the two fiscal years next ensuing. Before making up such estimates the board shall examine all statements and requests for appropriations presented to it, and shall afford to the officers, boards and commissions presenting such statements, and making such requests, reasonable opportunity for explanation in regard thereto and, whenever requested, shall grant to such officers, boards or commissions a hearing thereon. All such hearings shall be open to the public. The Budget Board, or any member or members thereof, may, if the board deems it advisable, visit any department, institution or undertaking for which an appropriation is requested, for the purpose of examination and investigation. The board may also hold such public hearings as in its judgment shall be deemed advantageous for the purposes of preparing said estimates. When said estimates have been prepared they shall be transmitted to the legislative assembly not later than the tenth day of the session thereof, together with such recommendations, reasons and explanations with regard to said estimates as shall be deemed necessary by the Budget Board. The Budget Board shall, at the same time, transmit to the legislative assembly all statements, esti-

mates and requests, or copies thereof, which were filed with the State Auditor by officers, boards and commissions as required by Section 3 of this Act.

Sec. 5. In making up the estimates to be transmitted to the legislative assembly the Budget Board shall, in connection therewith and as a part thereof, make an estimate of all moneys required to be raised or appropriated for the payment of interest upon the funded debt of the state and its other obligations bearing interest, and shall also make an estimate of the sum of money required to be contributed in the two next ensuing fiscal years to the general sinking funds maintained for the redemption and payment of the debts of the state, and it shall be the duty of the State Auditor to furnish the Budget Board with a detailed statement of the moneys necessary for such purposes.

Sec. 6. In connection with and as a part of the estimate transmitted by the Budget Board to the legislative assembly the said board shall transmit an estimate of the revenues of the state expected to be received during the two next ensuing fiscal years and may make such recommendation with regard to the disposition of said revenue as it shall deem advisable and necessary to promote the welfare of the state. The Budget Board shall also transmit to the legislative assembly as a part of said estimate, the amounts of all unexpended balances under appropriations theretofore made by law, and may make such recommendations to the legislative assembly relative to the disposition of said unexpended balances as it deems appropriate.

Sec. 7. There is hereby appropriated out of any moneys in the state treasury not otherwise appropriated the sum of $2,000 or so much thereof as may be required to carry out the purposes of this Act.

South Dakota. Two years after Vermont and North Dakota had passed their acts providing for the creation of a Budget Commission composed of representatives of the legislative and executive branches of the government, on March 10, 1917, South Dakota enacted a law of almost identically the same character. As a description of the Vermont and North Dakota acts has already been given and the significance of the policy represented by them has been there pointed out,

it is necessary for us here to do nothing more than reproduce this act. It is as follows:

An Act providing for the preparation of a State budget; creating a State Budget Board, etc. Approved, March 10, 1917. (Acts of 1917, Chapter 354).

Section 1. There shall be, and there is hereby, constituted and established a State Budget Board which shall be composed of five members, as follows: The Governor-elect, the Chairman of the Appropriations Committee of the Senate of the preceding legislative assembly, the Chairman of the Appropriations Committee of the House of Representatives of the said legislative assembly, the State Auditor and Chairman of Tax Commission. In case of inability to serve on said board on the part of any such person the vacancy shall be filled by the Governor-elect, the person or persons so appointed to be from a county, or counties, having no State Institution. The Board shall meet and organize in the Governor's office, at the State Capitol, on the third Tuesday in November, 1918. The Governor-elect shall be chairman of the board and the State Auditor shall be its secretary. The secretary shall keep the minutes of the Board and shall record them in a suitable book to be kept for that purpose. The minutes of the Board shall be a public record and shall at all times be open to public inspection. The members of the Board shall be paid their actual and necessary expenses incurred in the performance of the work and in addition thereto such other member, or members, appointed by the Governor-elect to fill the vacancy, shall each receive five dollars per day for each day of actual service and traveling expenses necessarily incurred.

Sec. 2. The State Budget Board may employ such expert accountants, clerks and stenographers as it shall deem necessary, and fix their compensation.

Sec. 3. Not later than August first, of each year, next preceding the session of the legislative assembly, the State Auditor shall send to the head of each department of this state government, and to each officer, board or commission, in charge of any educational, charitable, penal or other institution or undertaking, supported wholly or in part by appropriations from the State Treasury, a suitable blank form to be filled out by such head of state department, officer, board or com-

mission, with an itemized statement of the amount of money which such head of state department, officer, board or commission considers necessary for the proper maintenance, extension or improvement of the department, institution or undertaking in his or their charge, during the two fiscal years next ensuing. Such head of state department, officer, board or commission, shall return said blanks properly filled out on or before the first day of October of each year next preceding the session of the legislative assembly, to the State Auditor, together with such data and statements as may be necessary to fully and clearly explain the purposes and need of any appropriation which is requested by such head of state department, officer, board or commission.

Sec. 4. The State Budget Board shall meet on the fourth Tuesday in November, of each year next preceding the meeting of the legislative assembly at the State Capitol. The State Auditor shall submit to the board the estimates required by Section 3 of this act to be filed in his office by the head of each state department and by various officers, boards and commissions. The Board shall thereupon proceed to prepare estimates for a State Budget of the amounts required to be appropriated by the State Legislative Assembly for the conduct of the business of the state in all its offices, institutions, departments and undertakings for the two fiscal years next ensuing. Before making up such estimates the board shall examine all statements and requests for appropriations presented to it, and shall afford to the officers, boards and commissions presenting such statements, and making such requests, reasonable opportunity for explanation in regard thereto, and, whenever requested, shall grant to such officers, boards or commissions a hearing thereon. All such hearings shall be open to the public. The Budget Board, or any member, or members, thereof, may, if the board deems it advisable, visit any department, institution or undertaking for which an appropriation is requested, for the purpose of examination and investigation. The Board may also hold such public hearings as in its judgment shall be deemed advantageous for the purposes of preparing said estimates. When said estimates have been prepared they shall be transmitted to the legislative assembly not later than the opening day of the session thereof, together with such recommendations, reasons and explanations with regard to said estimates as shall be deemed neces-

sary by the Budget Board. The Budget Board shall, at the same time, transmit to the legislative assembly all statements, estimates and requests, or copies thereof, which were filed with the State Auditor by officers, boards and commissions as required by section 3 of this Act.

Sec. 5. In making up the estimates to be transmitted to the legislative assembly the Budget Board shall, in connection therewith and as a part thereof, make an estimate of all moneys required to be raised or appropriated for the payment of interest upon the funded debt of the state and its other obligations bearing interest, and shall also make an estimate of the sum of money required to be contributed in the two next ensuing fiscal years to the general sinking funds maintained for the redemption and payment of the debts of the state, and it shall be the duty of the State Auditor to furnish the Budget Board with a detailed statement of the moneys necessary for such purposes.

Sec. 6. In connection with and as a part of the estimate transmitted by the Budget Board to the legislative assembly the said Board shall transmit an estimate of the revenues of the state expected to be received during the two next ensuing years and may make such recommendation with regard to the disposition of said revenue as it shall deem advisable and necessary to promote the welfare of the state. The Budget Board shall also transmit to the legislative assembly as a part of said estimate, the amounts of all unexpended balances under appropriations theretofore made by law, and may make such recommendations to the legislative assembly relative to the disposition of said unexpended balances as it deems appropriate.

Sec. 7. There is hereby appropriated out of any moneys in the State Treasury, not otherwise appropriated, the sum of $2,000.00, or so much thereof as may be required, to carry out the purposes of this Act.

CHAPTER VII

BUDGETARY LEGISLATION BY THE INDIVIDUAL STATES: CONNECTICUT, LOUISIANA, MASSACHUSETTS, OREGON, WASHINGTON

Connecticut. In 1915, Connecticut passed an act providing for the creation of a State Board of Finance and a Joint Standing Committee on Appropriations of the two houses which represents a recognition of the desirability of centralizing responsibility for the preparation and consideration of estimates, though it cannot be said to constitute much of a step towards the introduction of a correct budgetary system.

The State Board of Finance is made to consist of the state treasurer, state comptroller, and state tax commissioner and three electors appointed by the Governor for different terms of years. All government departments and institutions are required to submit their estimates of expenditures to this body and the latter is directed to compile them for publication by the comptroller. It is provided that the board "may hold hearings upon such estimates as it desires and submit its recommendations regarding them."

It is hardly necessary to point out how far this arrangement falls short of bringing into existence any proper budgetary organ or of giving to it the status such an organ should have. The fact that the three appointed members receive a salary of only $500 per annum would indicate that they will give their services during only a part of the year. The further fact that they have no responsibility for the conduct of government affairs destroys in great part the value of their opinions or recommendations. The elimination of the Governor from all participation in the framing of the estimates to be sub-

mitted to the legislature is wholly bad. It is hardly conceivable that the legislature will give much weight to the recommendations of this body. The only service that it is likely to render is that of compiling the estimates, and that could be better done by the comptroller or some other officer.

The provision for a Joint Standing Committee on Appropriations is a step in the right direction, though the provision that the reference of bills covering an appropriation to this committee may be dispensed with by a two-thirds vote of both houses weakens its effectiveness.

The further provision that the Joint Standing Committee on Appropriations and the State Board of Finance shall hold joint meetings for the holding of hearings and the taking of action on appropriation bills raises some interesting questions. As the provision stands it authorizes, not only officers of the administrative branch of the government, but electors specially appointed by the Governor to participate actively in the conduct of legislative affairs. Just how this will work out it is difficult to say.

The main good accomplished by the passage of this act is that it raises the question of budgetary reform and may lead to more effective action. Following is a copy of this act:

An Act creating a State Board of Finance and defining its duties. Approved May 19, 1915. (Acts of 1915, ch. 302.) Amended by Act approved April 19, 1917. (Acts of 1917, ch. 171.)

Section 1. On or before the second Wednesday after the first Monday of January, 1916, the governor shall appoint three electors who shall hold office, one for one year, one for three years, and one for five years from said day and until their successors are appointed and qualified, who, with the treasurer, the comptroller, and the tax commissioner, ex-officio, shall constitute a state board of finance. On or before the second Wednesday after the first Monday of January, 1917, and biennially thereafter, the governor shall appoint one elector a member of said board who shall hold office for six years and until his successor is appointed and qualified. Any

vacancy occurring among such appointive members of said board shall be filled by the governor for the unexpired term. Each appointive member shall be sworn to a faithful discharge of his duties.

Sec. 2. The comptroller shall provide suitable rooms and accommodations in the capitol for said board, which may incur necessary expenses for clerical assistance, printing, stationery, and other incidental expenses. The members of said board appointed by the governor shall receive a salary of five hundred dollars per annum and their necessary traveling expenses.

Sec. 3. (As amended by Act approved April 19, 1917.) The several departments, boards, commissions, and institutions supported by the state or receiving state aid shall, on or before the fifteenth day of October, 1916, and biennially thereafter, submit to said board itemized estimates of their respective expenses, salaries and disbursements for the two fiscal years next ensuing requiring appropriations therefor. The state board of finance is authorized to compile the estimates so made for publication, and the comptroller shall cause to be printed such number of said book of estimates as the board of control shall decide. Said board of finance may hold hearings upon any such estimates and shall tabulate and report the same, with its recommendations thereon, if any, to the next session of the general assembly, not later than the second week thereof.

Sec. 4. At each regular session of the general assembly there shall be a joint standing committee on appropriations, consisting of two senators and five representatives, who shall be appointed in accordance with the provisions of the joint rules adopted at such session. All bills and joint resolutions making appropriations, including bills or joint resolutions carrying or requiring appropriations and favorably reported by any other committee of the general assembly, shall, before passage, be referred to said committee, unless such reference shall be dispensed with by vote of at least two-thirds of each branch of the general assembly. During the sessions of the general assembly said board of finance and said committee on appropriations shall hold joint meetings and shall organize by the selection of a chairman and a clerk and shall hear the several bills and joint resolutions referred to said committee on appropriations. Said board and said committee shall, with-

in two weeks after the conclusion of any hearing upon any bill or joint resolution referred to said committee, act upon the same, and if such action be favorable shall report such bill or joint resolution to the house in which it originated. Said board of finance and said committee may originate and report any bill or joint resolution which they may deem necessary.

Sec. 6. This act shall take effect July 1, 1915.

Louisiana. On July 5, 1916, Louisiana passed an act providing for the creation of a body to be known as the Board of State Affairs. Though this board was created in the first instance to take over the duties of the State Board of Appraisers and the State Board of Equalization, which were abolished, it had conferred upon it new powers which, in effect, made of it an official economy and efficiency board with the duty of investigating and submitting recommendations regarding the organization and administration of all government departments and institutions, and also a budgetary organ with the duty of preparing the budget of revenues and expenditures for consideration by the legislature. These two functions are closely related and properly should be in the same hands. This is a true budgetary organ in that it has power to investigate the organization, methods, and work of all state services and not only compiles the estimates but submits its opinion regarding what appropriations are needed. It makes its report direct to the legislature and not to the Governor. The only participation granted to the latter in framing a financial and work program is that he may, if he desires, have included in the budgetary statement an expression of his opinion regarding the funds that should be granted.

We have had occasion, in considering the laws of other states, repeatedly to point out that, in our opinion, this arrangement is a mistake. On the face of it this act means that the three persons constituting the board, and who have no direct administrative authority over the spending departments, are given the duty of recommending the action that should

be taken in reference to their support. This means a weakening of the responsibility of the Governor when the requirements of the situation are that his authority and responsibility should be strengthened.

It is also a question whether an organ of this character performing an important function in relation to the government as a whole should be given the specific duties in respect to the assessment of property and taxation that have been conferred upon it. As we are not here concerned with these powers and duties of the board the sections relating thereto are omitted from the reproduction of the act that follows:

An Act to create a Board of State Affairs; to prescribe its powers, duties and compensation; etc. Approved, July 5, 1916. (Acts of 1916, No. 140.)

Section 1. There is hereby created a State Board to be known as the "Board of State Affairs," which said Board shall succeed to the powers and duties of the State Board of Appraisers and the State Board of Equalization, so far as the same may not be inconsistent with the provisions of this Act and the powers and duties herein prescribed; and, accordingly, the said State Board of Appraisers and State Board of Equalization are hereby abolished. All of the property, reports, records and memoranda, materials and supplies, belonging to said Board shall be transferred to the Board herein created.

Sec. 2. The said Board shall be composed of three members, who shall be appointed by the Governor, by and with the advice and consent of the Senate. They shall be appointed so as to enter upon their duties on January 1st, 1917, or as soon thereafter as possible. They shall serve for a term of two, four, and six years, as designated by the Governor. The term of their successors shall be six years, unless sooner removed by the Governor for cause, with the concurrence of the Senate, but such terms shall expire at the beginning of the following terms regardless of the date of commission or taking the oath. In case of a vacancy, it shall be filled by appointment by the Governor for the unexpired portion of the term, subject to confirmation of the Senate.

Sec. 3. No person appointed as a member of said Board shall be under any employment, outside of his duties as a

member of the Board, for which he shall draw any remuneration; and he shall indicate in the records of the Board from what class of property or investment he may derive income, but not the amount thereof. No employee of the Board shall have other employment, or draw or take any salary, wage, commission, gift, gratuity, or emolument, for any accommodation or service rendered to another than the Board, unless the nature of such accommodation, service or employment and the remuneration therefor shall be first known and approved by the said Board. The violation of this provision shall be a misdemeanor, and, upon conviction, it shall be punishable by a fine not exceeding five hundred dollars ($500.00), or imprisonment in jail not exceeding thirty (30) days; such violation known to the Board, or any member thereof, shall without discretion, be reported to the proper prosecuting officer; the failure so to do to be deemed a neglect of duty. This provision shall be read by the Board in session to each and every employee. Each member shall devote his entire time to the duties of his office, and shall engage in no occupation or business interfering, or inconsistent, with his duties.

Sec. 4. Each member shall take the oath of office and furnish a solvent bond, for the faithful performance of his duties, according to law, in the sum of ten thousand dollars ($10,000.00), to be paid for by the Board, within thirty days after his appointment. Each member shall receive an annual salary of Five Thousand Dollars ($5,000.00), to be drawn monthly upon his own warrant.

Sec. 5. The domicile of the Board shall be at the State Capital, and immediately after the appointment of the members, as herein provided, the Governor shall designate the Chairman and they shall organize. A majority of the Board shall constitute a quorum for the transaction of business and the performance of its duties. The said Board shall be open for the transaction of business every day, Sundays and legal holidays excepted. The Board may hold sessions or conduct investigations at any place other than the capital, when it is deemed necessary to facilitate the performance of its duties; and any member may be designated by the Board to hold hearings or conduct investigations, either at the Capital or at any other place, and report the result thereof to the Board for action. Likewise, the said Board may name and appoint, in any instance where the same may appear to further the ob-

jects of this act, some person to make investigations and hold public hearings, with the same authority that the Board, or any member thereof, would have, the result of such investigations and hearings to be referred to the Board as it may require. Where such person is designated, as herein set forth, he shall have a written order to that effect from the Board, instructing him in the objects desired to be accomplished by such investigations or hearings. Such order shall be full authority for the said person so designated, to do all acts that any member of the Board would have authority to do, in the matter of making such investigations or holding such hearings; all orders, notices, and the like issuing in such case by said designated person, shall be in the name of the Board, by said person.

Sec. 6. The Board may appoint a secretary at a salary of Twenty-five Hundred Dollars ($2,500.00) a year, who shall take the oath of office and furnish bond for the faithful performance of his duties, according to law, at the expense of the Board, in the sum of Ten Thousand Dollars ($10,000.00). The Board may employ all necessary clerks, inspectors, investigators, or other experts and employees necessary to perform the duties required of it under this act, and may fix the remuneration of such persons. That in addition to the salaries of the members of the Board, and the Secretary, the General Assembly shall appropriate the sum of Twenty-five Thousand Dollars for the use of said Board in the year 1917; and Fifteen Thousand Dollars for the use of said Board to August 1st, 1918, out of which said sums, or so much thereof as may be necessary, it shall pay all of the said help, expenses of its office, and all actual traveling expenses of the Board, any member, or of its assistants, such salaries and expenses to be paid upon the order of the Board.

Sec. 7. (Relates to assessment and taxation of property.)

Sec. 8. It shall be the duty of the Board, and it shall have the power and authority:

(1) To require every department of the State and every public institution, the conduct or operation of which involves the receipt, expenditure or handling of any State funds, or property, to submit to the Board, at least ninety (90) days before the meeting of the General Assembly, an estimate of its revenues and expenditures for each fiscal year of the ensuing biennial period.

(2) To distribute not later than January 1st of each year in which the General Assembly may regularly meet to each department or institution aforesaid the proper blanks necessary for the preparation of the budget estimates, which shall show their actual revenues and expenses for two prior fiscal years, and shall show in corresponding detail their estimated revenues and expenses for the ensuing biennial period, and shall further show whether and in what amounts the estimates are larger or smaller than the corresponding items of expenditures for the previous biennial period; to require not later than February 1st in such year that such department or institution, hereinafter referred to as public body, shall return to the Board its estimate for the succeeding biennial period with full explanation of reasons for changes above or below the corresponding items for the previous similar period. The estimates from all public bodies shall be immediately compiled under the direction of the Board, and reviewed by means of such field examinations, interviews or correspondence as may be necessary to secure full information. The result of these examinations together with the estimates and departmental explanations shall, not later than March 15th of each year, be considered by the Board, which shall not divide into Committee for such review. Not later than April 1st, the Board shall recommend to the Legislature a budget which in addition to giving comparisons of estimates for the succeeding biennial period with the preceding biennial period, shall also give the amounts which the Board recommends item for item, with columns showing whether the recommended allowances are equal to, above or below the amounts requested, and whether they are equal to, above or below the amounts of the preceding biennial period which explanatory notes will show the Board's reasons for recommending the allowances and disallowances. Such budget shall be printed with the recommendations and reasons for recommendations, and the record of the vote upon such recommendations, where such vote is not unanimous. The report shall include any recommendations which a minority or the Governor or Governor-elect, may wish to have included in the report, and such reports shall be distributed not later than April 25th to the members of the Legislature and the public bodies interested.

Sec. 9. It shall be the duty of the Board, and it shall have the power and authority, between January 1st, 1917, and the

convening of the General Assembly of 1918: (1) To investigate duplication of work of public bodies, the efficiency of the organization and administration of such public bodies and to formulate and recommend to the General Assembly plans for the greater coördination of such public bodies and the improvement of State administration in general.

(2) To investigate the feasibility of a central Board of Control for all public educational institutions, the same for all public charitable and eleemosynary institutions; with particular respect to the business administration of such institutions.

(3) To investigate the efficiency and cost of State printing.

(4) To investigate and report upon the feasibility of establishing a central purchasing, sales and exchange bureau, under the control and direction of this Board, for the purpose of purchasing all supplies and materials for and selling or exchanging all the products of, such public bodies.

(5) To investigate other matters for the purpose of bringing about greater efficiency and economy in every public body advancing the economic betterment of the State, and of promoting the public welfare.

The results of the investigations herein required shall be printed and placed in the hands of the members of the General Assembly and the heads of all public departments and public institutions at least sixty (60) days before the meeting of said General Assembly in 1918; and, at the discretion of the Board, such reports shall be biennially made thereafter.

Sec. 10. (Relates to assessment of taxable property.)

Sec. 11. The Board shall have authority in the performance of any duty, or exercise of any power, provided in this Act, to send for persons, books and papers; to examine records, and to summons and compel the attendance of witnesses and to place the same under oath and to examine them; to issue subpœnas and subpœnas duces tecum, if necessary; and to compel the production of records, books and papers, and other information which the said Board may deem necessary; to require the sheriffs of the various parishes to serve such subpœnas and other processes of said Board and execute its orders, and to receive therefor the same compensation as may be provided by law for similar services under processes issued by the District Court, the costs and expenses of such pro-

ceedings to be paid by the Board; provided that in any case where it shall be answered that such books, papers, documents, or other information is not within the State, and they are not brought within the State to answer the demand of the Board, then the Board shall proceed by way of injunction, or other appropriate legal proceeding, to compel the offending delinquent to cease doing business in the State until said books, papers, documents, or what the Board shall deem an equivalent, shall be produced, and the granting of such injunction or other relief shall be the penalty for refusing to comply with said demand; and such proceedings shall be brought at the domicile of the Board.

Sec. 12. Any person, or persons, who shall disobey any order of said Board, issued under the authority of the preceding section, or who shall disobey any subpœna duces tecum, or refuse to testify when requested to do so by said Board, either orally or by commission, shall be deemed guilty of a misdemeanor, and upon conviction thereof, shall for each offense be fined in a sum not less than fifty dollars, nor more than one hundred dollars, or be confined in jail for not exceeding thirty days, or both, at the discretion of the Court.

Secs. 13 to 16. (Relate to assessment of taxable property.)

Sec. 17. All laws and parts of laws inconsistent with or in conflict with this Act are hereby repealed; and this Act shall only take effect in case the amendment to Articles 225 and 226 proposed at this session in Act No. 168 shall be adopted in November, 1916.

Massachusetts. The subject of budgetary reform in Massachusetts is one of special interest at the present time due to the fact that a constitutional convention is now in session for the revision of the constitution of that state, and it is certain that this subject will receive careful attention by that body. The way for such action has been prepared by the establishment in 1912 of a Commission on Economy and Efficiency, having among its specified duties that of reporting upon the introduction of a budget. Before considering the work of this body and its successor, the office of Supervisor of Administration, it is desirable to state briefly conditions in respect to the framing of estimates and the enactment of appropriation acts as they existed prior to the establishment of these bodies.

BUDGETARY REFORM IN THE STATES

For many years there had been on the statute books an act requiring the submission of estimates to the auditor for tabulation and presentation to the legislature. This act accomplished little, however, in the way of getting before the legislature a consolidated statement of expenditure requests, since large sums were expended in virtue of general laws and not in pursuance of appropriation acts, and the practice obtained of many special requests for appropriations being transmitted directly to the legislature which did not, therefore, find a place in the auditor's statements. Regarding the first point the Commission on Economy and Efficiency in its special report on Budget Procedure said:[1]

In a report on the administration of state revenues and loans submitted to the Governor and Legislature on April 29, 1916, this Commission discussed the scope of the budget and called attention to the large amount of State revenue now expended without being appropriated, $2,174,162 being so expended in 1910 by departments and institutions, while large sums of unappropriated revenues were also used for meeting interest and debt charges. As stated in that report "so long as large amounts of revenue are expended without appropriation, as at present, no genuine budget procedure can be put in force. When all expenditures for State activities are brought within the scope of appropriation acts the first step towards budget reform will be taken."

In respect to the second point the secretary of the Commission on Economy and Efficiency in a paper descriptive of budgetary conditions in the state said:[2]

In addition to the estimates submitted to and tabulated by the auditor, large appropriations are requested by petitions submitted directly to the legislature. In the session of 1915, approximately 200 petitions requesting over $2,500,000 in ap-

[1] Report on Budget Procedure, Commission on Economy and Efficiency, May 27, 1916, p. 5.

[2] Ernest H. Maling: Financial Administration of the Commonwealth of Massachusetts. Annals of the American Academy of Political and Social Science, November, 1915, p. 107.

propriations to be met from revenue were submitted directly to the legislature and thus omitted from the auditor's tabulation. Of this amount, only a negligible sum represented requests which could not have been submitted in time for tabulation by the auditor.

An attempt to improve the budgetary situation was made in 1910 through the passage of an act which required the auditor to submit his tabulation of estimates to the Governor and directed the latter to "transmit the same to the General Court with such recommendations, if any, as he may deem proper." [1] Though this act apparently sought to introduce the correct principle of having the Governor submit a budget, it did not work out that way. The reasons why it did not are thus described by the secretary to the Commission on Economy and Efficiency in the paper already quoted from.[2]

The purpose of the act of 1910 was to place the responsibility for a budget upon the Governor. It was claimed by proponents of the law that under its provisions the Governor "must exercise control and be responsible for increase in expenditures and in the debt as well." The law became fully operative in 1911, and it soon became evident that the Governor and Council had neither the authority nor the facilities for investigating the administration of the departments in order to determine the reasonableness of the estimates. The law contemplated that the Auditor's Office would furnish such data as might be needed, but no increase in the personnel of that office was authorized. The Auditor furnished data relative to receipts and payments, but had no means for assisting the Governor in determining whether the departments were in genuine need of the amounts contained in the estimates. At the request of the Governor the legislature authorized him to investigate the departments and for this purpose public accountants, engineers and other investigators were temporarily engaged. On the basis of the reports of his investigators, the Governor submitted from time to time throughout the legislative session, recommendations in practically all of the esti-

[1] Acts of 1910, Chapter 220.

[2] Maling, op. cit., p. 102.

mates. Material reductions in the estimates of some departments were recommended by the Governor, but the legislature was influenced to only a small degree by the Governor's messages and proceeded with its appropriation bills in much the same manner as formerly.

Although the law did not prove satisfactory, it cannot be regarded as a failure of the principle of an executive budget. The intent of the law was to place responsibility for the estimates upon the Governor, but the legislature in fact never relinquished its prerogatives and did not give the Governor adequate means for investigation and preparation of a budget.

The failure of this act is exceedingly informative since it demonstrates the point insisted upon in this volume that a budgetary system cannot be established by the mere provision that a budget shall be prepared and submitted by the chief executive. With it must go many other things: the requirement of a system of accounting and reporting that will develop the information needed for budgetary purposes, the provision of an organ with adequate powers to have charge of the preparation of that document, and the vesting in the hands of the chief executive of adequate authority over all the administrative services of the government. As regards the last point the author just quoted was thus quite justified in continuing:

Moreover, it is extremely doubtful if a genuine executive budget procedure can be adopted so long as the state government remains in its present status of decentralization with over 100 distinct units of organization controlled by some 335 officials and members of boards.

To correct these defects in part the legislature in 1912 repealed the act of 1910 and passed an act providing for the creation of a permanent body to be known as the Commission on Economy and Efficiency.[1] The commission thus established was of a somewhat different character from the commissions

[1] An act to establish a Commission on Economy and Efficiency for this Commonwealth, Approved June 6, 1912, Acts of 1912, Chapter 719.

similarly designated created by other states, in that, in addition to being given the general duty of investigating the organization and methods of business of the administrative services of the government, it was made an operating department with specific duties in reference to the preparation and submission of estimates. It thus provided that the auditor should continue to make his compilation of the estimates of the departments, but that, in addition to furnishing the Governor with a copy of such compilation, it should also furnish to the commission a copy and that the latter body—

shall examine the statements submitted to it by the Auditor, showing the general and special appropriations asked for by those in charge of the various departments, institutions, boards and undertakings mentioned in sections three and four, and shall report thereon to the General Court annually on or before the first Thursday in January, and at such other times as it may see fit, together with such facts, suggestions or recommendations as to any or all of the appropriations requested or the method of raising money for the same as it may deem expedient.

It will be noted that by the foregoing the Commission on Economy and Efficiency was directed to make its recommendations direct to the legislature and not to the Governor. Furthermore, the provision of law directing that the Governor should make recommendations regarding estimates was repealed. Though the act thus made a distinct advance in providing for a budgetary organ, it made this organ an agent of the legislature rather than of the executive, and thus was in no sense a movement towards an executive budget.

That the legislature was not of the opinion that, in making provision for this body, it had solved the budgetary problem, is evident from the fact that this body was specifically instructed by the act to investigate and report regarding the steps that would be required to put the administration of the government upon a budgetary basis. In pursuance of this direction the commission in 1916 submitted a brief but com-

prehensive report on the subject.[1] In this report the commission sets forth very clearly the evils of existing conditions and then enumerates the steps that must be taken to give to the state a budgetary system. Respecting the first it said:

> Massachusetts procedure does not remotely resemble a budget system. * * *
>
> No complete tabulation of estimates and requests for appropriations is now made.
>
> The present tabulations (House Documents No. 1 and No. 2) are necessarily incomplete because of the many requests for appropriations filed directly with the legislature.
>
> The present tabulations contain no information concerning requests for expenditures to be met from loans and no provision is made for compiling such requests.
>
> The estimates cannot be studied in the aggregate so as to consider the relative importance of the many estimates, neither can they be considered in relation to the available revenue.
>
> The estimates for any individual department or project as given in House Documents No. 1 or No. 2 cannot be considered with the assurance that they are the complete or total estimates for that department or project.
>
> No plan for financing the state is now prepared in advance of the granting of appropriations and of authorizing loans.

The Governor has no part in the consideration of estimates, and is given no facilities for investigating them or for taking such part in the financing of the Commonwealth as the chief executive should take. The Governor's action is now negative, being restricted to the veto of appropriation bills which are passed from time to time throughout the whole legislative session. (136 such bills were enacted in 1915.)

An unnecessarily large number of appropriation bills is now enacted, with the result that the time of the legislature is wasted. Moreover, difficulty is now encountered in ascertaining from the statutes the total amount appropriated for the current expenses of some of the departments.

The present method of enacting appropriation bills is unsystematic.

[1] Report on Budget Procedure. Submitted to the Governor, Council and General Court by the Commission on Economy and Efficiency, May 27, 1916.

In drafting appropriation acts little or no consideration has been given to the effect which the form of the act may have upon departmental administration. As a result, the acts for some small appropriations now contain an unnecessarily large amount of detail, while some large appropriations are granted in lump sums.

No standards for the drafting of appropriation acts have been adopted, with the result that items for a single department may be arranged on two or more bases which are inconsistent, thus causing confusion as to the amount authorized for different purposes and objects.[1]

To correct the evils the commission recommended that the state definitely adopt the principle of an executively prepared budget, and submitted with its report the draft of a bill to accomplish this purpose. This bill provided that the Commission on Economy and Efficiency should become an agent of the Governor instead of the legislature for the compiling of the estimates, that it might give advice to the Governor, but that responsibility for the making of recommendations to the legislature rested squarely upon the latter.

It will be noted that this proposal of the commission only goes so far as to provide for an executively formulated budget. No limitation is imposed by it upon the power of the legislature to modify the budgetary proposals thus brought before it. This the commission evidently thought was a matter that could wait until the first and fundamental step had been taken, since it closed its report with the following:

It is realized that from the standpoint of sound theory it would be desirable to recommend further changes, but in the opinion of this Commission the suggested changes are as far-reaching as should be made at one time.

On June 1, 1916, the legislature passed an act abolishing the commission and creating in its place the Office of Super-

[1] In the foregoing quotation the matter has been slightly condensed, chiefly through the elimination of captions.

visor of Administration.[1] This, however, made little change in the situation since practically all of the power and duties of the commission, with certain other powers, were transferred to its successor, the Supervisor of Administration.

This is the situation as it exists at the present time, with the exception that, as has been pointed out, a convention is now in session for the revision of the constitution of the state, and undoubtedly will give serious consideration to the various phases of budgetary reform, the integration of the administrative services, the requirement of a proper system of accounts and reports, the formulation of a budget by the Governor as recommended by the Commission on Economy and Efficiency, and the powers and procedure of the legislature in acting upon such proposal. It is thus a matter of congratulation that this whole question should have received so careful a study in advance of the assembling of the convention. Had this not taken place, it would have been much more difficult to get before that body the full importance of the considerations involved and the lines along which progress lies. Following is a copy of the proposed act.

Draft of Proposed Act to govern the Preparation and Review of Estimates for Expenditures and Revenue.

Section 1. Every officer or board having charge of any department, institution or undertaking which receives an annual appropriation of money from the treasury of the commonwealth, including annual appropriations to be met by assessments, shall annually on or before the first day of November, submit to the commission on economy and efficiency statements showing in detail the amounts appropriated for the current fiscal year and estimates of the amounts required for the ensuing fiscal year, with an explanation for any increased appropriation, and with citations of the statutes relating thereto, together with such other information as may be required by

[1] An act to abolish the Commission on Economy and Efficiency and the State Board of Publications and to establish the Office of Supervisor of Administration. Approved June 1, 1916. Act of 1916, Chapter 296.

the commission on economy and efficiency. The said estimates shall not include any estimates for special purposes or objects.

Sec. 2. Officers, heads of departments, boards, commissions and trustees of institutions, who, in their annual reports, or otherwise, recommend appropriations from the state treasury for special purposes or objects, including appropriations to be met by assessments, in addition to the ordinary running expenses, shall submit estimates thereof in detail to the commission on economy and efficiency on or before the first day of November of each year, together with such other information as may be required by the commission on economy and efficiency.

Sec. 3. Officers, heads of departments, boards, commissions and trustees of institutions, who, in their annual reports or otherwise, recommend the issue of state bonds or notes, including those to be met by assessments, shall submit statements thereof in detail to the commission on economy and efficiency on or before the first day of November of each year, together with such other information as may be required by said commission.

Sec. 4. On or before the fifteenth day of December of each year the auditor of the commonwealth shall submit to the commission on economy and efficiency a statement of the appropriations for the preceding fiscal year, including those met by assessments, the expenditures from the same and the unexpended balances or overdrafts and the amount of outstanding obligations payable from such appropriations at the close of the preceding fiscal year. The auditor shall further submit to the commission on economy and efficiency on or before the fifteenth day of December of each year his estimates for the ordinary and other revenue of the commonwealth, together with a statement of the free or unincumbered cash balance and other resources available for appropriation.

Sec. 5. The commission on economy and efficiency shall compile all estimates and requests for appropriations and bond issues, and shall make such investigations as may be necessary to enable it to submit recommendations concerning said estimates and requests to the governor. The commission furthermore shall prepare a budget for the governor setting forth such recommendations as shall be determined by the governor. Any information relative to estimates or appropriations in the possession of the commission on economy and efficiency shall

upon request be given to either branch of the general court or to the ways and means committee of either branch thereof.

Sec. 6. The governor shall submit to the general court, not later than the first Monday in February of each year, a budget setting forth all estimates and requests for appropriations or grants of moneys from the treasury of the commonwealth. Save in matters pertaining to the legislature and judiciary, the governor shall incorporate in said budget his recommendations relative to the amount which should be appropriated for each and every department, board, office, institution, activity, undertaking or purpose which is to receive an appropriation, including those supported by special assessments. In submitting his budget, the governor shall so classify and designate the estimates and his recommendations therefor as to show separately estimates and recommendations for: (a) expenses of administration, operation and maintenance; (b) new construction, additions, improvements and other capital outlays to be financed from revenue; (c) interest on the public debt and for sinking fund and serial bond requirements and for any other fixed charges; and (d) deficiencies or overdrafts in appropriations of former years. The governor shall incorporate in his budget his recommendations as to the amount which should be raised by a state tax. The governor shall also include in his budget all requests or petitions for bond issues with his recommendations thereon. Accompanying his budget, the governor may submit to the general court such messages, statements or supplemental data with reference to said budget as he may consider expedient. The governor may also submit at any time to the general court supplemental recommendations relative to appropriations, revenues or loans. The governor's budget shall be printed and copies thereof distributed to members of the general court.

Sec. 7. Sections three, four and five of chapter seven hundred and nineteen of the acts of nineteen hundred and twelve, and all other acts and parts of acts inconsistent herewith are hereby repealed.

Sec. 8. This act shall take effect upon its passage.

Oregon. In 1913, Oregon passed an act having for its purpose to ensure that the estimates of government services and institutions supported in whole or in part by state funds shall get before the legislature as a consolidated statement.

It provides that all such services and institutions shall submit their estimates to the secretary of state in the form prescribed by the latter and that the data shall be compiled in such form as to distinguish between at least current expenses, permanent improvements, contingencies and all other expenditures such as replacements, repairs, materials and supplies. The secretary of state is directed to compile these statements and the Governor to submit them to the legislature with his recommendations.

Though this act goes but a small way towards making provision for a budgetary system, what it does do is in the right direction and under it and his general powers it would be possible for the Governor to lay before the legislature something in the nature of a budget.

A copy of this act follows:—

An Act to provide for reports of the several State officers, departments, boards, commissions and institutions, etc., and to provide for a State budget. Filed in the office of the Secretary of State Feb. 27, 1913. (Acts of 1913, Chapter 284.)

Section 1. On or before November 15th of each even numbered year there shall be filed with the Secretary of State by each State officer, head of department or proper officer, board, commission or trustee in charge of any educational, charitable, penal or other institution, and all other State officers, departments, boards or commissions, now existing or hereafter constituted, supported wholly or in part by appropriations from the State treasury, including appropriations to be made by assessment and levy or by the collection of license or other fees, statements in detail showing the amounts appropriated for the current and the next preceding biennial period; and the amounts required by such State officer, department, board or commission, for the proper support and maintenance, extension or improvement of the department, board, commission, institution or undertaking, in his or their charge during the ensuing biennial period, with reasons therefor; together with an estimate of the probable revenues of said department, board, commission, institution or undertaking, from all sources

including assessment and levy and license fees for the ensuing biennial period, arranged in proper manner in detail by classifications and by appropriate summaries.

Sec. 2. Said statements of moneys required for the support, maintenance, extension or improvement of the several departments, boards, commissions, institutions or undertakings shall at least classify their needs under the following heads as near as may be:

(a) Current expenditure, including salaries and wages, subdivided so as to show the number employed and wages or salaries paid, proposed increase, proposed decrease and proposed new positions.

(b) Permanent improvements, as new buildings or other proper investment. In case of new buildings, give statement of size, manner of construction and the estimate of costs as computed by some reliable architect. Also state the immediate need of the improvements.

(c) All other expenditures, as replacements, repairs, material and supplies.

(d) Contingencies. All classifications to be accompanied by schedules showing exactly how the money appropriated is to be used.

Sec. 3. Any person having a claim against the State, which requires action by the legislature, shall in like manner file with the Secretary of State a statement of the amount of such claim, together with a brief statement of the facts upon which it is based.

Sec. 4. The Secretary of State shall also receive and file in his office a statement of any desired appropriation, for any purpose which may be presented to him, on or before November 15th of each even numbered year, by any individual, corporation or association, including municipal corporations, intending to present the same at the ensuing session of the legislature.

Sec. 5. Each of the reports and statements of desired appropriations thus made shall be in a form to be prescribed by the Secretary of State.

Sec. 6. The Secretary of State may also from time to time, and in his discretion, require any such State officers, departments, boards or commissions, to report to him as to such other fiscal affairs as he shall deem necessary for the compilation of the tabulation provided for by this act.

Sec. 7. On or before December 15th of each even numbered year the Secretary of State shall make a tabulation of the statements and reports, provided for by the preceding sections, in printed form, accompanied by comparative data and estimates of income, together with such comments, and a statement of such other matters, as he shall deem necessary and proper for the full comprehension of such tabulation, showing the several amounts asked for and a brief description of each of said proposed appropriations, together with the reasons therefor, the total for each department, board, commission, institution or undertaking, and the grand total; and shall transmit such tabulation to the members of the legislature for their information and to the Governor, whereupon on or before the beginning of the ensuing session of the legislature the Governor shall transmit the same to the members of the legislature with such recommendations as he may deem proper; *provided,* also, the Governor may at any time call on the Secretary of State for further information.

Sec. 8. The reports and statements hereinbefore provided for shall be public records.

Washington. In 1915, Governor Lister, of Washington, presented estimates to the legislature though there was at that time no statute directing him to do so. Following this the legislature on March 17 of the same year passed an act making definite provision for a budget. This act provides that the preparation of the estimates of revenues and expenditures shall be entrusted primarily to the state auditor. That officer, acting through, and as head of, the Bureau of Inspection and Supervision of Public Offices, has large powers to prescribe and install a uniform system of accounting for all offices and institutions of the government.[1] The estimates and financial statements compiled by him must be submitted to the State Board of Finance upon which devolves the duty of formulating and presenting to the legislature a budget setting forth its opinion regarding the provision that should be made for

[1] See, An act establishing a Bureau of Inspection and Supervision of Public Offices in the Department of the State Auditor, General Statutes 1910, Sections 8346-8.

the revenue and expenditure needs of the ensuing biennium. This board is a body that was created for the purpose of attending to certain financial matters such as the investment of public funds and is composed of the Governor, the state treasurer and the state auditor.[1]

It will be seen that this act does little more than provide for the preparation and presentation of a budget. Taken in connection with the powers of the auditor to prescribe the system of accounting of the state, it should be possible under it to secure a budget in proper form. It will be noted, however, that the Governor is not made responsible for such budget but participates in its preparation and presentation only as a member of the Board of Finance. Following is a copy of this act:

An Act providing for the establishment of a budget system for state offices, departments and institutions. Approved, March 17, 1915. (Acts of 1915, Chapter 126.)

Section 1. On or before the 15th day of October of every even-numbered year the several departments, institutions, commissions and officers of the state shall report to the state board of finance on forms prescribed and according to the classification adopted by the state auditor through the bureau of inspection and supervision of public offices, an estimate in itemized form, stating the amount of money required for the conduct of such department, institution, commission or office for the biennial period beginning on the first day of April thereafter.

Sec. 2. The state auditor, through the bureau of inspection and supervision of public offices, shall assemble said statements in proper form and show opposite each request the amount of appropriation made for the current biennium and the amount expended from each to and including September 30th, immediately preceding, also a statement showing the actual revenues of the state for the twenty-four months ending September 30th, and the estimated receipts from all sources for the next fiscal biennium. This statement shall be sub-

[1] See, An act creating a State Board of Finance, General Statutes, 1910, Sections 5053, et seq.

mitted to the board of finance, which shall make such recommendations as it may deem proper opposite the requests of the several departments, institutions, boards and commissions. This consolidated statement shall be known as the State Budget.

Sec. 3. The departments, institutions, commissions and officers of the state, upon request, shall forthwith furnish to the state board of finance, any information desired in relation to the affairs of their respective departments, institutions, commissions or offices.

Sec. 4. Upon the convening of each regular session of the legislature, the state board of finance shall submit to the legislature said state budget, and shall cause such budget to be printed and mailed to each member of the legislature at least fifteen days before the convening thereof.

Sec. 5. Said board may make such investigation of the affairs of any department, institution, commission or office as it may deem proper; may visit and inspect any department, institution, commission or office; administer oaths; examine such persons as it may deem necessary and compel the production of books, papers and records of such department, institution, commission or office pertaining to its expenditures. Any necessary expense incurred in carrying out the provisions of this act shall be paid out of the appropriation made by the legislature for the executive department.

CHAPTER VIII

BUDGETARY LEGISLATION BY THE INDIVIDUAL STATES: NEW YORK

New York. The movement for governmental reform in the state of New York is second only in importance to that of the national government. Though efforts to improve methods of financial administration in that state have been put forth from time to time ever since the state was created, recognition that the system of administration in force was fundamentally defective is of comparatively recent date. Positive efforts to effect a radical change in this system may be dated from Governor Hughes' administration. In response to repeated appeals for action by Governor Hughes there was passed in 1907 the so-called Moreland act which authorized the Governor, either in person or by agents appointed by him, to investigate the management of affairs by any administrative service of the government. It cannot be said, however, that much in the way of permanent results was accomplished under this act.

In 1910, however, the Governor secured the passage of an act having for its purpose to ensure that estimates of expenditures should be compiled and presented to the legislature in better form.

This law provided that, on or before November 15th of each year, each state officer or head of department shall file with the comptroller a statement, in detail, of all money for which a general or a special appropriation is desired at the ensuing session of the legislature, together with the reasons therefor. From these reports the comptroller is to make a tabulation containing, first, an itemized statement of the actual

expenditures made during the preceding year; second, a statement of the appropriations made for the preceding year; and, third, a statement of the appropriations desired for the coming year. These desired appropriations are summarized under the following schedules:

A. Salaries and services (including wages of laborers)
B. Statistical information regarding permanent and
C. temporary employees
D. General expenses and office equipment
E. Maintenance
F. Permanent outlays
G. Miscellaneous purposes
H. Portions of the appropriations which will lapse within the next two years
I. Estimated appropriations which will remain unexpended at the close of the fiscal year [1]

This was a step in the right direction. It will be noted, however, that the act contains no suggestion that the comptroller should act otherwise than as a mere compiling agent.

In 1913, Governor Sulzer appointed a committee to make a general inquiry into the conduct of affairs by the administrative services and to report regarding the steps that should be taken to put this management upon a more efficient and economical basis. This committee made three general recommendations: that a state board of estimates be created, composed of state officials, to have the duty of formulating appropriation bills; that provision be made for a commissioner of economy and efficiency who should have the duty of making investigation of administrative services and recommending action to be taken to put this management upon a more efficient basis; and that the system of making appropriations be changed in certain respects.

The first two of these recommendations were accepted by the legislature. By acts passed in 1913 provision was made for a State Board of Estimates and a Department of Efficiency

[1] Budget Legislation in Two States. Municipal Research No. 70, pp. 30-31.

and Economy, with the provision that the head of the latter should be secretary of the former.[1]

Neither of these bodies succeeded in accomplishing what was expected of them and both were abolished in 1915.[2] The reason for this action appears to be that, due to political antagonism, the legislature did not take kindly to them and disregarded, if it did not actually hamper, their work. The Department of Efficiency and Economy, in pursuance of the requirement of law providing for its creation, prepared and submitted to the legislature, under date of January 21, 1915, a budget. This made a large volume of 995 pages and includes, in addition to the budget proper, a budgetary message and a summary of the budget. In form the budget as prepared consisted of the estimates as formulated by the departments with the recommendations of the Department of Efficiency and Economy for their increase or decrease. It does not appear that the legislature gave much if any weight to their recommendations. This is as might have been expected since, to have weight, recommendations for changes in estimates as prepared by spending departments should go to the legislature with the full authority of the chief executive who is the administrative superior of such departments and the one executive officer to whom the legislature should look for an authoritatively formulated financial and work program.

This was the situation of affairs when the convention to revise the state constitution assembled in 1915. It was inevitable, in view of the wide interest that had been shown in the subject, that budgetary reform should receive special attention at the hands of this body. In promoting action the Bureau of Municipal Research of New York can fairly claim leadership. It was untiring in its efforts to have the problem presented to the convention in proper form and to secure the action of that body that would assure to the state the definite adoption of a scientific budgetary system. It especially sought

[1] Acts of 1913, Chapters 280 and 281.
[2] Acts of 1915, Chapter 17.

to make clear that the establishment of such a system required a radical change in many features of the constitutional system of the state. As Prof. Beard has excellently put it:[1]

The Budget is the very heart of the governing process; it involves fundamental problems in administrative organization in public policy, in legislative responsibility, and in political leadership. Sound budgetary procedure cannot be injected into the hopelessly disorganized governments of American commonwealths. It requires a thoroughgoing reconstruction, even of the very elemental parts of the government framework.

Due to an appreciation of this fact the Bureau of Municipal Research prepared the way for the consideration of the problem of budgetary reform by the convention by the preparation in conjunction with the State Department of Efficiency and Economy of a detailed description of the administrative organization and functions of the government.[2] This study, which was purely one of description of existing conditions, it followed up at the request of the Constitutional Convention Commission by a critical appraisal in which it pointed out the multiplicity of the services and the need for the establishment of a budgetary system as a means for currently coördinating and controlling their activities.[3]

"Having thus laid," as Prof. Beard points out, "both the fact and the philosophical basis for a scientific budget system," the bureau prepared a series of bills embracing the following features:

[1] The Budgetary Provisions of the New York Constitution, by Charles A. Beard, Annals of the American Academy of Political and Social Science, Nov., 1915, p. 65.

[2] Government of the State of New York. A description of its organization and functions. Prepared for the New York State Constitutional Convention Commission by the New York Department of Efficiency and Economy, and the New York Bureau of Municipal Research, January 1, 1915.

[3] The Constitution and Government of the State of New York, Municipal Research, May, 1915.

1. The appointment of the heads of the great administrative departments by the Governor, although several officers, owing to political exigencies, are left elective;
2. The establishment of a Governor's cabinet, composed of the executive heads of the administration under the Governor as chief executive;
3. The organization of a Governor's staff to serve as a research and investigative agency for the chief executive;
4. The initiation of the budget by the Governor;
5. The right of the Governor and his representatives to appear before the Legislature to submit, explain and defend administrative measures;
6. In case of the refusal of the legislature to pass such measures, the right of the Governor to dissolve the Legislature and submit the issue to the voters;
7. A constitutional procedure for locating responsibility and for giving publicity to the discussion of all issues which arise, whether they pertain to administrative measures or to the bills of members. In other words, to do away with the invisible government by establishing visible government.[1]

The proposals here put forth, the bureau followed up by seeing that they were properly presented and supported by arguments. Largely through its instrumentality a number of prominent and competent men appeared before the committees of the Constitutional Convention on state finances, revenue and expenditures and the Governor and other state officers, and supported the principles embodied in the proposed amendments.[2]

It would be out of place here to consider the action taken by the convention in respect to all these important features of proposed constitutional change. The effort to have the convention adopt the principles of a budget, however, met with complete success and thus was prepared and included in the

[1] The Budgetary Provisions of the New York Constitution, by Charles A. Beard, Annals, etc., Nov., 1915, pp. 65-66.

[2] For a full report of these hearings see, Budget Systems, Municipal Research No. 62, and State Administration, Municipal Research, No. 63.

draft of the constitution that was submitted to the people the provisions that follow. These provisions were inserted in the draft constitution by the large vote of 132 to 4.

Budget Provision of Proposed New York Constitution, 1915.

Article V.

Section 1. On or before the fifteenth day of November * * * the head of each department of the state government except the legislature and judiciary, shall submit to the governor itemized estimates of appropriations to meet the financial needs of such department, including a statement in detail of all moneys for which any general or special appropriation is desired at the ensuing session of the legislature, classified according to relative importance and in such form and with such explanations as the governor may require.

The governor, after public hearing thereon, at which he may require the attendance of heads of departments and their subordinates, shall revise such estimates according to his judgment.

Itemized estimates of the financial needs of the legislature certified by the presiding officer of each house and of the judiciary certified by the comptroller shall be transmitted to the governor before the fifteenth day of January next succeeding for inclusion in the budget without revision but with such recommendation as he may think proper.

On or before the first day of February next succeeding he shall submit to the legislature a budget containing a complete plan of proposed expenditures and estimated revenues. It shall contain all the estimates so revised or certified and shall be accompanied by a bill or bills for all proposed appropriations and reappropriations, clearly itemized; it shall show the estimated revenues for the ensuing fiscal year and the estimated surplus or deficit of revenues at the end of the current fiscal year together with the measures of taxation, if any, which the governor may propose for the increase of the revenues. It shall be accompanied by a statement of the current assets, liabilities, reserves and surplus or deficit of the state; statements of the debts and funds of the state; an estimate of its financial condition as of the beginning and end of the ensuing fiscal year; and a statement of revenues and expenditures

for the two fiscal years next preceding said year, in form suitable for comparison. The governor may, before final action by the legislature thereon, amend or supplement the budget.

A copy of the budget and of any amendments or additions thereto shall be forthwith transmitted by the governor to the comptroller.

The governor and the heads of such departments shall have the right, and it shall be their duty when requested by either house of the legislature, to appear and be heard in respect to the budget during the consideration thereof, and to answer inquiries relevant thereto. The procedure for such appearance and inquiries shall be provided by law. The legislature may not alter an appropriation bill submitted by the governor except to strike out or reduce items therein; but this provision shall not apply to items for the legislature or judiciary. Such a bill when passed by both houses shall be a law immediately without further action by the governor, except that appropriations for the legislature and judiciary shall be subject to his approval as provided in section nine of article four.

Neither house shall consider further appropriations until the appropriation bills proposed by the governor shall have been finally acted on by both houses; nor shall such further appropriations be then made except by separate bills each for a single work or object, which bills shall be subject to the governor's approval as provided in section nine, article four. Nothing herein contained shall be construed to prevent the governor from recommending that one or more of his proposed bills be passed in advance of the others to supply the immediate needs of the government.

As is well known this draft of the new constitution, of which this section was a part, was defeated by the people at the polls in November, 1915. Though this promising effort to put the financial system of New York upon a budgetary basis failed the work was by no means a total loss. It was of enormous value in educating the public, not only of New York state but of the entire country in the importance of the proposal and in the specific steps that must be taken to put the reform into effect.

That the matter of budgetary reform was not to be laid aside by the failure of a proposed revised constitution was

immediately made known by the action of Governor Whitman and by the legislature which convened in January, 1916. The strong endorsement by the Constitutional Convention of the principles of a budget was sufficient warrant to Governor Whitman to do what he could in this direction under existing laws. He devoted his annual message to the legislature, submitted January 5, 1916, to the subject of state finances and transmitted therewith a book of estimates denominated "Tentative Budget Proposals." The submission of this document led the Bureau of Municipal Research to subject it to critical comment for the purpose of pointing out wherein it failed to meet the full requirements of a scientific budget. This it did by means of a statement given to the press, a memorial laid before the legislature and a letter addressed to the Governor. The more important criticisms made were: that the budget dealt only with expenditure proposals and contained no plans for financing the state during the year; and that provision was not made for receiving adequate publicity and proper consideration in the open by the legislature of financial proposals. In making these criticisms the bureau, however, approved heartily the action of the Governor so far as it went. In its statement to the press it said:

The Bureau approves heartily the action of the Governor and congratulates him on having taken a long step in the right direction when he assembled and critically reviewed the estimates of all the executive departments and sent to the legislature a consolidated estimate in the form of a single appropriation bill. This alone is an important proposal.

To the bureau's letter to him the Governor made an interesting reply, in which he took the position that the bureau had misinterpreted to some extent the character of what he had attempted to do in submitting his budgetary proposal. He said:

Your assumption that I am in favor of the preparation annually by the Executive of a complete appropriation act, all

of the items of which shall have the final approval of the Executive, and that this proposed appropriation act shall be submitted to the legislature as an established executive procedure is incorrect.

I am in favor of the Executive going just as far in this matter as I have done in my Tentative Budget Proposal, now before the legislature, namely, that the Governor submit to the legislature at the opening of the session during his term, or, at the expiration of his term, prepare for submission to the following legislature a tentative appropriation budget for all the departments which are under Executive control, and in such document to indicate as nearly as possible the judgment of the Executive as to what the expenditures for those departments should be for the next fiscal year, and together with these revised estimates present the estimates of other departments as submitted to the comptroller, subject only to revision as to classifications of expenditures. I have done this in the present instance under existing laws and I cannot conceive that succeeding Executives will require the restraint of a legislative act to prevent their return to the old procedure. * * *

My budget proposal goes as far as I deemed it advisable for the Executive to go and does not attempt to establish the principle that the Executive shall originate appropriations. The expression by the Executive of what he deems shall be the allowances for the departments controlled by him is in effect a consolidation and review of departmental estimates by the Executive before they are submitted to the legislature for consideration and in no wise changes the principles established either under the present constitution or under existing law. * * *

Whatever may be my theoretical views as to the State budget procedure, except in respect to the right of the Executive to reduce, as well as to veto items, I am opposed to any extension of this procedure beyond the limitations established by the existing constitution, and it is obvious that the existing constitution contemplates that both appropriation and revenue measures shall originate in the Legislature, and not in the Executive branch of the government.[1]

[1] For copies of the Bureau's Statement to the Press, Memorial to the Legislature and Letters to the Governor, and the latter's reply and the Bureau's reply to the Governor, see Municipal Research, No. 69. For an account of the attempt of Governor Whitman to estab-

This statement of Gov. Whitman has been reproduced since it brings out so clearly the distinction between the responsibility of the executive of preparing a proper budget and that of the legislature in acting upon such budget. It need hardly be said that important as was the action of the Governor it did not represent a budget as that term is employed as covering a complete financial program, from the revenue as well as the expenditure standpoint.

This first step of the Governor towards the establishment of the principle of having the chief executive submit a program of expenditure corresponding to his opinion regarding the money that should be voted for the support of the government, or that part of the government in respect to which he had responsibility, did not meet with any cordial response on the part of the legislature. The latter continued to follow the procedure that it had employed in the past in respect to the framing and voting of appropriations. Instead of making the Governor's budget the basis for a single appropriation bill, provision was made as formerly for the expenditure needs of the government by a multiplicity of acts. One hundred and thirty-five bills carrying an appropriation were introduced of which 46 were passed and 35 received the Governor's approval.

The legislature, on the other hand, did not ignore the question of budgetary reform. Various proposals in this direction were introduced. Another one, known as the Sage-Maier bill, was enacted and received the approval of the Governor April 5, 1916. In form this act is an amendment of the legislative law, or, to give its full title, "An Act in Relation

lish the practice of the Governor submitting on his responsibility a completed statement of the provision which, in his opinion, should be made for the support of the administrative services of the government and its reception by the legislature, see the Monograph by B. S. Schultz, The History of Appropriations in the Legislative Session of 1916, New York State (Doctor's Dissertation, Columbia University, Privately printed). This Monograph was reprinted as Municipal Research No. 72.

to Legislation, constituting Chapter 32 of the Consolidated Laws," to which it adds 7 new sections.

It cannot be said that this law represents any substantial progress towards the adoption by the government of a scientific budget system. The primary requirement of such a system is that the chief executive shall, on his responsibility, as head of the administrative branch, submit a report of past operations and present conditions and on the basis of this his financial and work program for the future. A reading of this act shows that the real responsibility for doing this is placed upon the committees of the two houses dealing with financial matters. Section 31 reads:

The finance committee of the senate and the ways and means committee of the Assembly, acting jointly or separately, shall annually prepare and submit to the respective houses, not later than March fifteenth, a budget containing, etc.

It is true that Section 26 provides that:

The Governor shall annually, within one week after the convening of the legislature, submit to the senate and assembly a statement of the total amount of appropriations desired by each state department, commission, board, bureau, office and institution and may at the same time make such suggestions for reductions or additions thereto, as he deems proper. He may also at the same time submit as a part of such statement an estimate of the probable revenues of the state for the coming fiscal year.

In respect to this provision it is to be noted that all the Governor is called upon to do is to submit a statement of the total amounts of appropriations desired by the several services. The figures to be submitted are the estimates of heads of the services themselves and these need be only of the total sums desired. Nothing is here said about a "complete and detailed statement" such as is called for from the legislative committees. No use is made of the word "budget" as is

employed in defining the duties of the committees. No obligation is imposed upon the Governor to give his opinion regarding the propriety of granting the requests of the services; it is merely provided that he may make suggestions of this kind if he desires to do so.

The act thus takes the distinctly backward step of providing that, not only shall the budget be acted upon by the legislature, but that it shall be prepared by that body. Its whole purpose is to lessen the responsibility of the Governor and thus to go counter to the very foundation principle not only of a correct budgetary system but of administration generally. Unfortunate under any circumstances, this action is specially to be regretted in view of the great advance that has been made in the direction of educating public opinion as to the desirability of a budgetary system represented by the work of the Constitutional Convention of 1915. The act reads as follows:

An Act to amend the legislative law, in relation to financial information for the use of the legislature and the preparation of the annual budget and appropriation bills. Approved April 5, 1916. (Acts of 1916, Chapter 130.)

Section 1. Article two of chapter thirty-seven of the laws of nineteen hundred and nine, entitled "An act in relation to legislation, constituting chapter thirty-two of the consolidated laws," is hereby amended by adding at the end thereof seven new sections, to be sections twenty-six, twenty-seven, twenty-eight, twenty-nine, thirty, thirty-one and thirty-two, to read, respectively, as follows:

Sec. 26. The governor shall annually, within one week after the convening of the legislature, submit to the senate and assembly a statement of the total amount of appropriations desired by each state department, commission, board, bureau, office and institution, and may at the same time make such suggestions for reductions or additions thereto, as he deems proper. He may also at the same time submit as a part of such statement an estimate of the probable revenues of the state for the ensuing fiscal year.

Sec. 27. The chairman of the finance committee of the

senate shall appoint the clerk of such committee. The chairman of the ways and means committee of the assembly shall appoint the clerk of such committee. Each appointment shall be evidenced by certificate duly executed by the officer making the appointment, and filed in the office of the secretary of state. Such clerks shall hold office until their successors are appointed.

Sec. 28. Such clerks shall receive an annual salary of four thousand dollars each and shall be paid their office, traveling and other expenses necessarily incurred by them in the performance of their duties. The chairman of the finance committee of the senate and the chairman of the ways and means committee of the assembly may each appoint for the committee of which he is chairman a stenographer and an accountant to assist such committee and the clerk thereof in performing the duties prescribed by this article. The compensation of such employees of the finance committee of the senate shall be fixed by the chairman of the finance committee with the approval of the temporary president of the senate, and the compensation of such employees of the ways and means committee of the assembly shall be fixed by the chairman of the ways and means committee with the approval of the speaker.

Sec. 29. For the purpose of more effectively carrying out the provisions of this article, the committee on finance appointed under the rules of the senate and the committee on ways and means appointed under the rules of the assembly shall continue during the recess of the legislature, and the chairmen of the respective committees shall have the power to name subcommittees to perform such duties as they may prescribe in gathering information as to the financial needs of the various charitable institutions, state hospitals, state prisons and other departments, boards, bureaus, commissions, offices and institutions of the state. The members of such subcommittees so serving shall be paid their necessary traveling expenses in the performance of their duties.

Sec. 30. The clerk of the finance committee of the senate and the clerk of the ways and means committee of the assembly shall

1. Collect, compile and collate information and data relating to state departments, commissions, boards, bureaus, offices, institutions, public works and other subjects for which appropriations are made or sought.

2. Prepare and make available for the use of such committees tables showing appropriations made by the legislature from time to time and prepare and furnish when requested by such committee statistics and other information relating to such appropriations.

3. Procure, compile and make available for the use of such committees statistics as to the revenues of the state during the preceding year and the estimated revenues for the current and ensuing fiscal year.

4. File, preserve and maintain permanent records of information and data collected pursuant to this section, including correspondence in relation thereto.

5. Investigate and report on requests for appropriations and the needs therefor.

6. Aid either of such committees and the members thereof in making any investigation which may be required or authorized by either of such committees or by the legislature and, when requested so to do, aid any other legislative committee in making investigations pertaining to expenditure of state funds.

7. Aid the finance committee of the senate and the ways and means committee of the assembly, when requested, in the preparation of the annual budget and meet and confer with the said committees for the purpose of assisting in the preparation, amendment and revision of bills appropriating state moneys and otherwise aid such committees or either of them in the performance of their duties.

8. For the purposes of this section, have access at all reasonable times to offices of state departments, commissions, boards, bureaus and offices, to institutions and to all public works of the state and they may, for the purpose of obtaining information as to the operations and the fiscal needs thereof, examine the books, papers and public records therein. Such state departments, commissions, boards, bureaus, offices and institutions shall through their proper officers or deputies furnish such data, information or statements as may be necessary for the proper exercise of their powers and duties and for the purpose of carrying into effect the provisions of this article. The clerks of the finance and ways and means committees in exercising the powers and performing the duties prescribed by this section may act jointly, or separately, as they deem advisable. All data and other information or statements

collected by such clerks shall be accessible at all times to the inspection of the governor, or to a person designated by him for such purpose.

Sec. 31. The finance committee of the senate and the ways and means committee of the assembly, acting jointly or separately, shall annually prepare and submit to the respective houses, not later than March fifteenth, a budget containing a complete and detailed statement of all appropriations to be made out of moneys of the general fund in the state treasury for the support and maintenance of the government of the state and for all other purposes, which appropriations or any part thereof shall become available during the period ending with the ensuing fiscal year. Such budget shall specify the department, board, bureau, commission, office or institution under whose supervision or control the moneys to be so appropriated are to be expended and the purposes for which such appropriations are made. There shall be attached to and made a part of such budget an itemized and detailed estimate of the probable revenues of the state out of which the appropriations specified in such budget may be paid, and such budget shall include an estimate of the amount which it will be necessary to raise by a direct tax for the payment of such appropriations. Such budget may be accompanied by a statement containing such information and data as the committees may deem advisable to present.

Sec. 32. The respective committees shall present with the budget a single bill providing the appropriations contained therein. The appropriation bill thus reported shall be referred to the committee of the whole of the senate and shall be advanced to the order of second reading in the assembly, and shall remain before the committee of the whole of the senate and on the order of second reading in the assembly for its consideration at least five full legislative days, and on each of such days the bills [1] shall be the special order of the day. While the bill is under consideration in the committee of the whole in the senate or on second reading in the assembly, the head of any department, office, board, bureau, commission or institution of the state, may, and when requested by a majority vote of either house, shall, appear and shall be heard and answer inquiries by members pertinent to the appropriation bill then under consideration. All meetings of either

[1] So in original.

house for the consideration of the appropriation bill shall be open to the public. While the bill is before the committee of the whole of the senate or on the order of second reading in the assembly, it may be amended either by inserting additional items or by increasing, reducing or eliminating items; but on third reading no amendments, except to reduce or eliminate an item in the bill, shall be in order, except by unanimous consent. The bill when advanced to the order of third reading in either house shall be a special order of the day for at least three full legislative days.

Sec. 2. This act shall take effect immediately.

CHAPTER IX

BUDGETARY LEGISLATION BY THE INDIVIDUAL STATES: ALABAMA, ARIZONA, ARKANSAS, COLORADO, FLORIDA, MICHIGAN, PENNSYLVANIA

Alabama. On February 1, 1915, Alabama provided for the appointment of a Joint Committee of the two houses to investigate and report upon all matters relating to the raising of revenue and expenditure of funds for the operation of the government.[1] Among the recommendations of this committee was one that the Governor lay before each session of the legislature a budget giving the estimates of revenues and expenditures for the period to be financed.[2]

Arizona. The civil code of Arizona imposes upon the auditor the duty of compiling and submitting to the legislature a consolidated statement, which is designated a budget, of all estimates of expenditures, and also to prepare for use by the legislature a dummy appropriation bill.[3]

An Act prescribing the powers and duties of the State Auditor. [Revised Statutes of Arizona, 1913. Civil Code, Title I, Chapter VIII.]

Par. 88. In addition to all other duties required of the state auditor by law, he shall, biennially, before the convening of the regular session of the state legislature in each biennial period, prepare for the use and benefit of such legislature, a budget; which said budget shall contain the following matter, viz.:

(a) A list of all regular annual appropriations, with a ref-

[1] Joint Resolution for the Appointment of a Special Committee on Finance and Taxation, February 1, 1915. Acts of 1915, No. 12.

[2] Report of Committee, July 13, 1915, p. 7.

[3] Revised Statutes of Arizona, 1913, Civil Code, Chapter XIII.

erence in each instance to the part of the statutes or session laws making the appropriations.

(b) A list of all special appropriations with a reference in each instance to the part of the statutes or session laws making the appropriation.

(c) A list of all appropriations required or requested for the maintenance of the departments of state government, with reference in each instance to a page in an addendum to said budget where explanations or itemizations, or both when possible, of said items may be found.

(d) A list of all appropriations required or requested for the maintenance of various state institutions, with reference in each instance to a page in an addendum to said budget where explanations, or itemizations, or both when possible, of said items may be found.

(e) A list of all appropriations required or requested for improvements in the various state institutions, with reference in each instance to a page in an addendum to said budget where explanations, or itemizations, or both when possible, of said items may be found.

Par. 89. Said budget shall also contain a table showing all appropriations separately in items and in separate columns by years, for the last five biennial periods, together with a column for the appropriations required or requested for the biennial period to be provided for by the legislature for whom the budget is prepared, and columns for estimated balances or deficits that will be in each fund at the close of the fiscal year ending after the session of the legislature for which the table is prepared.

Par. 90. The state auditor shall also prepare, in conjunction with the attorney general, a form of a general appropriation bill for the use of each legislature and before its convening in regular session. Said form shall be blank only in the amounts to be inserted therein, and shall contain a blank space for the insertion of every general item requested of the legislature by all state departments and all state institutions.

Par. 91. An addendum shall be prepared to the budget herein required to be prepared, which said addendum shall contain a full itemization wherever possible of each general item in the budget and a full explanation of the use and need of each item wherever possible.

Par. 92. The state auditor is hereby empowered to request

of, and receive of each department of the state government, and each state institution, such information as he may require to prepare the budget required of him herein, and each department of the state government and all state institutions are hereby required to furnish said information to the state auditor upon his request therefor.

Arkansas. By an act, approved February 12, 1913, Arkansas made provision for the preparation by the state auditor of a budget that should contain estimates both of revenues and expenditures and for the creation of a Joint Budget Committee of the two houses that should have the preparation and introduction of all appropriation bills "for the necessary running expenses of the State Government, including all the State's institutions provided for under existing laws." The act further provides that, "They (the Joint Committee) shall also make recommendations, by bill or otherwise, for such changes in the State's revenue laws as they may deem necessary to raise sufficient funds for the State's needs." Following is a copy of this act.

An Act to expedite the passage of the appropriation bills for the running expenses of the State Government. Approved February 12, 1913. (Acts of 1913, Act 44.)

Section 1. It shall be the duty of the heads of the various departments of the Executive and Judicial branches of the State Government, on or before the date for the convening of each biennial session of the Legislature, to file with the State Auditor a compiled statement of the necessary running expenses of their respective departments for the ensuing biennial period; including an estimate of incidental expenses, and giving an itemized statement of any proposed extension of duties connected therewith and the cost thereof.

Sec. 2. It shall also be the duty of the various Boards having the management of the several institutions of the State, penal, educational and eleemosynary, to furnish a compiled estimate, in itemized form, of the necessary running expenses for the ensuing biennial period, of the several institutions, and file same with the State Auditor, as provided in section 1 of this Act. Said compiled statement shall include the estimated

costs of all new buildings, repairs on old buildings, and all other proposed equipment, improvement or extensions proposed.

Sec. 3. It shall be the duty of the State Auditor to compile an estimate of all the State's revenues, to be derived from all sources, for the ensuing biennial period, basing his estimate on the income for the preceding two years.

Sec. 4. Upon the convening of the General Assembly at each biennial session, it shall be the duty of the Speaker of the House of Representatives to appoint seven members of that body and the President of the Senate to appoint five members of that body, who shall constitute a joint Budget Committee of twelve. Said appointments to be made not later than five days after the organization of the General Assembly. Said committee is hereby allowed the services of a clerk for such time as they may deem necessary who must be an expert stenographer, who shall be paid five ($5.00) dollars per day.

Sec. 5. Immediately upon the appointment of such Budget Committee, the State Auditor shall furnish to them an estimate of the running expense of the State Government as provided in sections 1 and 2 of this Act. Also an estimate of the revenue as provided in section 3.

Sec. 6. It shall be the duty of the said Budget Committee, as soon as practicable and not later than twenty days after their appointment, to prepare and introduce into the General Assembly all the appropriation bills for the necessary running expenses of the State Government, including all the State's institutions, provided for under existing laws. They shall also make recommendations, by bill or otherwise, such changes in the State's revenue laws as they may deem necessary to raise sufficient funds for the State's needs.

Sec. 7. The failure or refusal to perform the duties as provided in this Act shall be deemed a non-feasance in office; and the person found guilty of such failure or refusal shall be liable to a fine of not less than ten ($10.00) dollars nor more than one hundred ($100.00) dollars.

Sec. 8. All laws and parts of laws in conflict herewith are hereby repealed; and this Act shall take effect and be in force from and after its passage.

Colorado. Colorado has taken no direct action for the

introduction of a budgetary system. Its Survey Committee of State Affairs, created in 1915[1] however, has issued a preliminary report in which it has set forth with exceptional clearness the defects of the existing system of administering the finances of the state and recommending in the strongest way possible the introduction of a budgetary system resting upon a scientific system of accounting as the only means of putting the administration of the finances of the state upon a proper basis. This report[2] is so well expressed, shows the failings of existing practices, not only in Colorado but in practically all states which have not gone upon a budgetary basis, so convincingly and points out so clearly that in a proper system of accounts and the use of a budget alone lies salvation, that we feel justified in reproducing in our appendix almost in extenso its summary of findings and recommendations in so far as they relate to this matter of the administration of the state's finances.

The report contains many other recommendations dealing with changes which should be made in the system of accounts, the changes in the date of the fiscal year and the establishment of the Governor as the head of the administration, etc., which, though of great importance, it would be out of place here to reproduce.

Though positive action in the way of amending the constitution or enacting legislation is yet to be taken, it cannot but be counted a great gain to have the elements of the problem and the means of reform so clearly stated.

Florida. Florida, like Michigan, has provided for the establishment of a body which shall have the express duty of

[1] Session Laws 1915, Chapter 161.

[2] Summary of Findings and Recommendations relating to the Executive Branch of the State Government of Colorado as submitted to the Survey Committee of State Affairs by Its Staff. Published and circulated by the committee for purposes of discussion and criticism preliminary to the submission of the report of the committee giving its recommendations. December, 1916.

reporting upon the advisability of the introduction of a budget system.[1] In this case the action has taken the form of the creation of a joint committee of the two houses to perform this duty. Section 4 of the Resolution providing for its creation directs:

That the committee shall also investigate and make recommendations concerning any needful changes for placing the appropriations and expenditures of state funds nearer on a complete budget basis or system.

Michigan. Though Michigan has passed no law providing for the establishment of a budget system, its legislature has placed itself squarely on record as favoring such a system by the passage of an act, May 10, 1917, providing for the establishment of a body, to be known as the Michigan Budget Commission of Inquiry, to which is given the express mandate "to examine the budget laws of other states, their operation and the results obtained and to gather and compile all the information necessary to enable it to formulate an adequate and comprehensive budget system for the State." [2]

Pennsylvania. Budgetary reform in Pennsylvania has as yet only reached the stage where preliminary proposals are being put forth that the Governor be given the duty of submitting to the legislature a consolidated statement of the expenditure needs of the several services of the government. In fact the only concrete suggestion of this character of which track could be obtained was that made by the solicitor of the Economy and Efficiency Commission in a report submitted to that commission under date of March 28, 1917. In this report the solicitor points out many features in respect to which

[1] House Concurrent Resolution, April 21, 1917, Acts of 1917, p. 339.

[2] An act to create a Commission of Inquiry to investigate and report upon the general financial system of the state, and investigate, report upon and recommend legislation necessary to establish a budget system. Approved May 10, 1917. Acts of 1917, No. 193.

the existing organization and methods of business of the government are defective, and makes recommendations as to the action required to remove these defects. Among these recommendations is one that a single State Board of Finance and Revenue be created to take over the duties now performed by four separate boards, the Board of Public Accounts, Board of Revenue Commissioners, Sinking Fund Commission, and Board to License Private Bankers, and to have in addition the further duty of preparing and submitting to the Governor not later than January 1 of each odd-numbered year a report showing: (1) the amounts appropriated and the purposes for which they were intended; (2) the amounts expended from appropriations made by the previous legislature during the first eighteen months of the biennium; and (3) the estimated needs of the government during the next biennium. To this is added the recommendation that the board should confer with the Governor and add to its report the latter's recommendations as to the appropriations that should be granted.

Though this is a step in the right direction, it is evidently but a short one. There is in it little appreciation of the real character and function of a proper budgetary system or of the character of budgetary organs that should be provided for the administration of such a system. The main value of this recommendation is, therefore, that of bringing before the legislature the importance of the question of budgetary reform.

CHAPTER X

COMPARATIVE ANALYSIS OF BUDGETARY LEGISLATION OF THE STATES: FORMULATION OF THE BUDGET

Having considered separately the action of each state for the establishment of a budgetary system, it will be of interest now to consider this action as a whole, and, by a comparative study, seek to make known the extent to which the several states have made provision for all the steps that must be taken if a thoroughly satisfactory budgetary system is to be established.

Adoption of Principle of a Consolidated Statement of Estimates. In our consideration of the nature and function of a budget [1] we have sought to set out in detail the character that such a document should have if it is to correspond to the modern conception of a scientific budget. It would be a mistake, however, to say that a state had not adopted a budgetary system unless it made use of a document of this character. In its simplest terms a budget may be deemed to be but a consolidated statement of the estimated revenue and expenditure needs of a government for a fixed period. Manifestly the adoption of a system under which all such estimates get before the legislature in a single consolidated form not only is a great improvement over the system which formerly prevailed almost universally in the states where each service or institution receiving aid from the public treasury sent in its request for funds independently, but is the first step at least towards the adoption of a budgetary system that will conform to all desirable requirements of such a system.

[1] The Problem of a National Budget: Studies in Administration. Institute for Government Research, 1918.

If now we pass in review the action of the states looking to the adoption of a budgetary system, as described above, it will be found that no less than twenty-five states [1] have taken this fundamental primary step. These states include only those which acted within recent years with the deliberate end in view of adopting a budgetary system. There are undoubtedly other states which have in the past provided that estimates of expenditures shall be compiled by the state auditor or other officer. In four other states [2] commissions or committees of inquiry have reported recommending strongly the establishment of a budget system; in two others [3] committees or commissions have been created to report on the matter, while in at least six others [4] the Governors in their annual messages of 1917 either recommended that the administration of the financial affairs of their states be put upon a budgetary basis or that committees be appointed to determine what steps should be taken in that direction. It is thus not going too far to state that in practically every state of the Union this matter of budgetary systems is receiving serious consideration and that in over half of them important action has already been had.

Departmental Estimates Submitted with Recommendations of Reviewing Authority. In the preceding section we have sought to make known merely the extent to which the

[1] These states listed in the order in which the action was taken are as follows:

Calif. 1911;	Mass. 1912;	Ariz. 1913;	Conn. 1915;	La. 1916;	Del. 1917
Wis. 1911;		Ark. 1913;	Ia. 1915;	Md. 1916;	Ill. 1917
		Oreg. 1913;	Minn. 1915;	N. J. 1916;	Kans. 1917
			Neb. 1915;	N. Y. 1916;	N. M. 1917
			N. D. 1915;		Tenn. 1917
			Ohio 1915;		S. D. 1917
			Wash. 1915;		Utah 1917
					Vt. 1917
					Va. 1918

[2] Ala.; Colo.; Pa.; Va.

[3] Fla.; Mich.

[4] Colo.; N. H.; Rhd. Is.; S. C.; W. Va.; Wy.

states have made provision for estimates of expenditure to go forward in compiled form. The next step in the development of a budgetary system is that of providing that the authority to which is entrusted the work of making the compilation, or some other authority, shall subject these estimates to examination and submit its recommendations regarding the extent to which the requests for funds represented by the estimates shall be granted.

The theory on which the establishment of a provision of this kind rests is that it is desirable that departmental estimates shall be passed upon by some authority which represents the government as a whole. As has elsewhere been pointed out applicants for funds occupy a position antagonistic to the interests of the general treasury. They are seeking to get all the money they can and only in an indirect way are concerned with keeping down aggregate expenditures. It is true that the legislature itself has the function of representing the general welfare and the duty of protecting the general treasury. That body, however, is not in immediate touch with the current administration of affairs and for obvious reasons is not in a position to make a minute and unbiased examination of government needs. Though the final say rests with it, it nevertheless needs the advice of some independent organ which is better situated than it is to examine into requests as formulated by the spending services.

This function of review and recommendation can be performed in two ways: by the reviewing authority transmitting the estimates as received by it with its recommendations regarding the extent to which they should be acted upon favorably; and by the reviewing authority looking upon the estimates as formulated by the spending departments as merely data on the basis of which it can itself prepare estimates of expenditure needs to be forwarded to the legislature as a budget.

Of the twenty-five states which we have enumerated as providing for the submission of the estimates in compiled form

all but two [1] provide that the compiling authority shall make known its opinion regarding what grant of funds shall be made in one or the other of these two ways. Of these twenty-three states five, Connecticut, Louisiana, Massachusetts, Oregon and Washington, apparently provide that the original estimates as prepared by the spending departments and institutions shall be forwarded to the legislature but shall be accompanied by the recommendations of the compiling and reviewing authority as to the extent to which such requests shall be granted.

In Connecticut the compiling, reviewing and recommending authority is the State Board of Finance, a body composed of the state treasurer, state comptroller, and state tax commissioner and three other members appointed by the Governor. In Louisiana this authority is a body known as the Board of State Affairs composed of three members appointed from private life by the Governor with the approval of the senate. This board is in effect a permanent commission on economy and efficiency since, in addition to reviewing and transmitting the estimates, as above described, it also has the duty of making investigations into, and submitting recommendations regarding, the conduct of public affairs by the several departments and institutions of the state besides performing certain other duties in respect to the assessment and taxation of property that need not be described here.

In Massachusetts the budget compiling and recommending authority is the state supervisor, the successor of the late Commission on Economy and Efficiency and having all, or practically all, of the former duties of that body. In Oregon the compiling authority is the secretary of state and the transmitting and recommending authority the Governor. In Washington the compiling authority is the state auditor, and the

[1] These two states are Arizona and Arkansas. In both of these cases the compiling officer is the state auditor and the acts imposing the duty bear date of 1913, thus antedating the modern movement for budgetary reform.

reviewing and recommending body the State Board of Finance, a body composed of the Governor, the state auditor and the state treasurer, which was originally created to attend to certain financial matters such as the investment of public funds.

Formulation of Budget by a Legislative Committee. From a consideration of the provision that has been made for the sending forward of the original estimates with recommendations by some reviewing authority, we now pass to that of the more advanced policy of entrusting to some central organ the affirmative duty of formulating a budget representing its opinion as to the provision that should be made for the financing of the government during the period to be provided for. Eighteen states, as stated, have taken this definite action. These states, however, have pursued a widely diverse policy in respect to the character of the organ to which this important duty shall be entrusted.

In one state, New York, the budget framing organ has been made the Finance Committee of the Senate and the Ways and Means Committee of the Assembly acting jointly or separately. It is true that provision is made that the Governor may if he desires submit his recommendations regarding the total sum to be granted the several services, but the budget itself in its details is to be framed by the committees of the legislature above named. As has been pointed out in our consideration of this act, this provision makes no real advance towards the establishment of the fundamental principle of a correct budgetary system; that, namely, of securing from the responsible head of the administration a clear-cut and comprehensive financial report and work program. At best it means merely that the legislature will be in a position to consider the financial needs of the government as a whole instead of those of the services individually as prevailed in the past.

Formulation of Budget by a Joint Legislative-Administrative Committee. Four states, North Dakota, South Da-

kota, Vermont and Wisconsin, have adopted the system of having the budget formulated by a special body composed partly of representatives of the legislature and partly of representatives of the administrative branches of the government.

Wisconsin was the first of these states to take action in this way. In 1911 it passed an act establishing what was known as a Board of Public Affairs, consisting of the Governor as chairman, the chairman of the financial committees of the two houses and two other members appointed by the Governor, one of whose duties was that of compiling the estimates. Subsequent legislation has changed somewhat the composition of this body and greatly enlarged its powers. As at present constituted it has as members the Governor, secretary of state, president pro tem. of the senate, speaker of the assembly, chairman of the senate finance committee, chairman of the assembly finance committee and three other persons appointed by the Governor and approved by the senate. The powers of this board now embrace not only the duty of compiling the estimates but of formulating the budget in the sense that its provisions represent the opinion of the board as to what action should be taken. The board also has other important powers which will be elsewhere considered. [1]

The South Dakota act is almost a literal copy of that of North Dakota, and the Vermont act, though differently worded, is based upon substantially the same principles. All three acts provide for the formulation of a budget by a permanent body, known as a State Budget Board, in the case of the two Dakotas, and a Committee on Budget in the case of Vermont, composed of the chairmen of the financial committees of the two houses, the Governor and certain administrative officers. These bodies have adequate power to secure from administrative services reports, financial statements and estimates in the form desired by them and to employ technical

[1] See section of this chapter on "Establishment of an Integrated Administrative System," pp. 183-187.

and other assistance needed by them for the performance of their work.

It will be remarked that in all four of these cases the Governor is a member and the chairman of the board or committee. Though the principle of having the budget represent a financial and work program emanating from a responsible chief executive is not carried into effect by these acts, opportunity nevertheless is given to the Governor through his position on this body to bring forward and press his own administrative and work program. The creation of these bodies is also of significance as representing the effort to bring the legislative and executive branches of the government into closer working relations with one another than has been the case in the past.

Formulation of Budget by an Administrative Board. In two states, California and Tennessee, the duty of formulating and transmitting to the legislature a budget has been entrusted to a special board composed of officers belonging to the administrative branch of the government.

The California board is known as the State Board of Control and is composed of three members appointed by the Governor. This board, as has been stated, is in many respects a remarkably interesting body. It constitutes the nearest approach to a general bureau of administration possessed by any state, and as such will receive special attention when consideration is had of the extent to which the states have appreciated the necessity for bringing into existence a special organ to have charge of the administration of budgetary affairs.

In Tennessee the budget framing organ is the State Budget Commission, a body composed of the Governor, the comptroller, the treasurer, the secretary of state and the auditor. This body has powers of investigation into the manner in which affairs are conducted by the several services and institutions of the state similar to those possessed by the California board. It does not appear, however, that it has the

power to issue orders directing what accounts shall be kept and how administrative affairs shall be conducted that is possessed by the latter body. From the standpoint of budget framing it, however, must be deemed to have a status and composition superior to the California board, since it is composed of administrative officers of the government and has as a member and its chairman the Governor himself. The California board stands as it were outside of the administration. The Tennessee commission is an integral part of the administration and its budget thus has more the character of an administrative program brought forward by the Governor and his chief associates than does the California budget except as the Governor of that state adopts the board's budget as his own.

Formulation of Budget by the Governor. Throughout this volume we have had constant occasion to state that the Governor is the authority upon whom should be placed the responsibility for formulating the budget. In doing so we have at the same time emphasized the necessity for the creation of a special budgetary organ similar to the boards which we have just been considering, but our position has been that these bodies should have the status of agencies through which the Governor may act in discharging his duties in respect to the framing of the budget and in exercising his powers as head of the administration generally rather than that they should have an independent status and original powers.

It is a matter of congratulation, therefore, that a large proportion of the states which acted at all have recognized this principle and have definitely provided that responsibility for the framing and presentation of a budget shall reside in the hands of the Governor. Following are the states which have adopted this policy: Delaware, Illinois, Iowa, Kansas, Maryland, Minnesota, Nebraska, New Jersey, New Mexico, Ohio and Utah. It is of interest to note that the legislation providing for this system is of recent date, none antedating 1915, thus showing that the modern view regarding budgetary

reform recognizes this important principle. Of these states one, Maryland, has accomplished the reform through the process of constitutional amendment.

Establishment of an Integrated Administrative System. Another point upon which great emphasis has been laid is that a thoroughly satisfactory budgetary system can not be established that does not rest upon an integrated administrative system. This system is one where the several administrative services and institutions are grouped according to their character into departments, all of which are under the general direction, supervision and control of the Governor. The system carries with it the requirement that the heads of these departments shall hold their offices by appointment by the Governor and shall be subject to removal by him and that the line of administrative authority shall thus run through the Governor to the legislature instead of directly to that body. The system in a word is that which obtains in the national government. Under this system the chief executive is not only a part of the administration but its real responsible head.

Probably the greatest single obstacle in the way of budgetary reform in the states consists in the fact that the administrative systems of our states have been established upon a contrary principle. The Governor, though designated as chief executive, has been given a position, as it were, outside of the administration. He has been given little or no direct authority over the conduct of affairs in the several state institutions. Only in exceptional cases has he been given the appointment of the heads of important administrative services. For the most part these officers hold office through election by the people or by appointment by the legislature. In general the principle followed has been that the line of authority and responsibility runs direct to the people or the legislature.[1]

[1] For an excellent consideration of the administrative powers of Governors at the present time, see Principles of American State Administration, by J. B. Mathews, D. Appleton and Co., New York, 1917.

Under these conditions it is evidently exceedingly difficult, if not impossible, for a Governor, even though he may be directed by statute to formulate and submit to the legislature a budget, to prepare such a document that will have the character or carry with it the weight that it should. Such a document will not be a financial and work program emanating from a responsible administrator in chief. At best it will be but a compilation and revision of programs prepared by others made by an officer standing outside of the field of administration generally and not directly in control of, or responsible for, the manner in which administrative affairs are conducted.

Though this is the condition which has obtained almost universally in the states in the past it is encouraging that the failure of this system to secure an efficient administration of public affairs is being more and more recognized and that steady progress has been made towards the establishment of the contrary principle of vesting superior administrative powers in the Governor and of bringing into existence a more integrated system of administration.

Action in this direction has taken a number of forms. In the first place, just as in the national government there has been an increasing tendency, apart from any specific constitutional or legislative enactment, to look upon the President as the head of the administration, so in the states there has been a tendency to view the Governor in the same light. Secondly, this tendency has found expression, in part, in the augmentation of the power of appointment of the Governor. This tendency has been powerfully promoted by the strong movement for the short ballot.[1]

[1] For a brief but excellent statement of the present condition of the short ballot movement see The Short Ballot, Bulletin No. 16, commission to compile information and data for the use of the (Massachusetts) Constitutional Convention, Boston, 1917. New Jersey and Illinois are the only states having a real short ballot in respect to state offices.

FORMULATION OF THE BUDGET

Another movement in the direction of an integrated system of administration is that towards the establishment of strong boards of control to have the general direction, supervision and control over institutions receiving aid from the state treasuries. These institutions constitute a group of administrative agencies quite distinct from the administrative services properly speaking. Formerly each of these institutions addressed their petitions and, in so far as they made any reports at all, made their reports directly to the legislature. It was a great improvement when the policy was adopted of setting up special bodies which should stand between these institutions and the legislature and serve as the organs through which the methods of accounting, reporting and administration generally might be regulated and standardized, their operations supervised and controlled and their applications for funds examined and reviewed. This movement has now gone so far that it may be said that the policy of securing control over these institutions in this way has become the settled policy of probably a majority of the states.

Still another movement towards the establishment of an integrated administrative system is found in the action taken by a considerable number of states to group related services in departments. Examples of this action are found in the creation by New York, Massachusetts and other states of departments of labor to have jurisdiction over services dealing with labor matters such as bureau of labor statistics, boards of conciliation and arbitration, employment bureaus, factory inspection services and the like.

Finally must be mentioned the acts just considered which impose upon the Governor the duty of formulating and submitting a budget. These acts in themselves tend strongly to put the Governor in the position of administrator in chief. They carry with them the duty and right on the part of the Governor to inquire into the administrative organization methods and needs of the several services; and, though the Governor does not have the authority to issue orders to depart-

mental heads having for their purpose to prescribe uniform and efficient methods of administration that should go with his office, nevertheless his budget framing powers will place in his hands large powers of administrative direction and control.

Important as are these movements as steps in the right direction they, nevertheless, fall far short of establishing that definite integrated administrative system with the Governor as administrator in chief which must obtain if the maximum of efficiency in the conduct of public affairs is to secure a sound basis laid for a scientific budgetary system. Until recent years New Jersey was the only state having an approximation to this system. This arose from the fact that not only was the Governor the only elective officer but that most of the heads of administrative offices held office through appointment by him.

In 1917 primacy in this respect was, however, taken by the state of Illinois which, by an act passed on March 7 of that year, thoroughly reorganized the administrative branch of its government upon the integrated system. This action was taken upon the recommendation of its special joint committee of the two houses on economy and efficiency which made a painstaking examination of the whole problem of administration and budgetary reform. It is difficult to overemphasize the importance of this act. It points the way and furnishes the model for action which it is to be hoped will be rapidly followed by her sister commonwealths.

Establishment of Central Budgetary and Administrative Organs. In the enactment of a law providing for the formulation and submission of a budget by the Governor or some other authority, a state has made but the first step towards securing for itself a scientific budgetary system. There still remain the important tasks of working out and installing a system of accounts and reports that will automatically produce the data required for budgetary purposes; of devising the forms upon which requests for appropriations

shall be made by spending departments; of reaching a decision regarding the scheme of classification to be employed in framing the budget; of receiving the reports and estimates as first formulated; of subjecting these reports and estimates to critical examination; and, on the basis of such documents and examination, of actually framing the budget, preparing the summaries, analyses and other supporting documents that should accompany the budget.

It must be evident that the performance of these operations can only be done by an organ of high competency. This body, moreover, if it is to do its work properly, must be a permanent service and one having authority in itself or as the agent of the Governor to issue all orders necessary to secure the standardization of methods of accounting and reporting, the proper return of estimates of expenditure needs and the taking of all other steps required in order that the data contained in the budget may be presented in proper form according to a uniform system of classification. We have already pointed out that one of the great incidental advantages resulting from the adoption of a proper budgetary system is that it tends to bring about the reorganization of the administrative branch of the government upon an integrated system with the Governor at its head. A second great advantage that can be made to flow from it is that of securing a standardization of business practices and procedure. Or, to put this conversely, it is difficult, if not impossible, to secure a proper budgetary system unless such unification of administrative methods is established.

Another feature of budgetary practice that is often overlooked is that the service that is to perform this work of prescribing the system of budgetary procedure, and of receiving the estimates and collateral data and of actually formulating the budget, must be one which is in current touch with the administrative work of the government. Only as it is in such constant contact with the administration of public affairs is it in position intelligently to pass judgment upon

appropriation requests and to frame a general financial and work program corresponding to the real needs of the state.

The need for an organ of this character becomes more and more imperative as a government passes to an integrated administrative system, or as the responsibility of the Governor as head of the administration is emphasized. Though we have considered the need of such an organ specially from the standpoint of the operation of a budgetary system its functions should not be confined to that field. If it is to perform the full measure of its usefulness it should be a bureau of general administration with the broad function of taking all the steps necessary for securing an efficient administration of public affairs and of serving as the agency through which the Governor may discharge his duties as head of the administration. That the need for such an organ has been appreciated is evidenced by the numerous special commissions on economy and efficiency that have been created in recent years by the states. Valuable as has been the work of these commissions much more important and lasting results could be secured by a permanent body such as we have been considering.

To summarize, it will be seen that this matter of the creation of a bureau of general administration is closely related to that of the establishment of an integrated system of administration and that both have a very important bearing upon the problem of securing an effective budgetary system. That there may be no doubt about the position here taken, it should further be added that such a bureau, if established, should be given the status of an organ directly dependent upon the Governor, and that its function should be that of acting as the agent of the latter rather than of exercising independent powers of its own.

With this understanding of the nature of the problem that is presented in providing the administrative machinery needed for the proper operation of a budgetary system, we are now in a position to consider the extent to which the states have,

in their legislation, appreciated this need and made provision for meeting it.

In seeking to do this, it may be stated at the outset that, though most of the acts that have been passed give evidence that this need is appreciated, few have made adequate provision for meeting this need. Many have contented themselves with such general provisions as that the spending departments and institutions shall submit to the Governor, or other budget-framing body, the estimates and reports needed for budgetary purposes. Others have taken the more important step of vesting in some authority, usually the auditor, the power to prescribe a uniform system of accounting and reporting to be followed by all departments and institutions; and an examination of the statutes of the state would probably reveal that this has been done in many cases other than those represented by the special budgetary enactment which we have been considering.

Others still have gone a step farther and have specially empowered the Governor to employ such assistance as is required by him for the discharge of his duties in respect to the framing of a budget. In respect to these, it may be noted that, under these provisions, it may be possible for the Governor, by executive act, to create a service that will have a permanent status and discharge the duties of a general budgetary organ. It would be far preferable, however, that such an organ should be definitely established and its duties and powers defined by statute.

In all cases where the formulation of the budget has been vested in a board or commission there has, of course, been created a budgetary organ. In many, if not most, of these cases this body has not only been given the powers needed to secure budgetary data in proper form but to prosecute all inquiries necessary to enable it to determine the real needs of the estimating services and the efficiency and economy with which they were administering their affairs. They have thus been given, in no small degree, the character of bureaus of

general administration, such as we have been contending should be created in all states. The main criticism that may be brought against the acts establishing these bodies is that the duty of formulating the budget was not placed in the hands of the Governor and the bodies themselves made merely the agencies through which the latter in practice could meet the obligation placed upon him.

Among the bodies of this character, special mention should be made of those of California, Wisconsin and Illinois, since in them we find the policy of providing for a strong service of general administration carried further than has been the case in any other state.

In its State Board of Control, created in 1911, California has an organ, which, as stated by the Governor of the state, has plenary powers over the business and financial affairs of the state. It, moreover, has a status and personnel independent of and, as regards the powers to prescribe methods of business procedure, superior to, the administrative or operating departments properly speaking. It is composed of three members appointed by the Governor and holding office at his pleasure, who receive an annual salary of $4,000 and must devote their whole time to their official duties. This body thus constitutes an organ of general administration comparable in character to the British Treasury. Its function as an organ for preparing the budget to be submitted to the legislature is thus but an integral part of its general function as a service of overhead administration.

As regards the beneficial results that have followed from the establishment of this service Governor Johnson bears eloquent testimony in his message to the legislature in 1917. Under the caption of "State Board of Control" he said:

> During the past six years, California has demonstrated that public business can be conducted as honestly and as efficiently as private business * * * It seems incredible now, that prior to 1911 there had not been for many, many years a state audit; that there was no centralized control over the business

conducted by the state, no mode of accurately determining the necessity and amount of appropriations, and no supervision which would preclude favoritism in bidding * * * The legislature of 1911, therefore, passed the law creating the State Board of Control and gave to that board plenary powers over the business and financial affairs of the state * * * Investigations at once were held by the board and corruption and fraud in the business of the state uncovered. Ruthlessly the old methods were destroyed and the individuals who were guilty were removed from the service of the state. But the great work of the board was to systematize the business of California in such way that it might challenge comparison with the system in vogue in those great business concerns that are models of commercial enterprise. * * * The old log-rolling methods, inefficiency, fraud, corruption and political control have been displaced by a budget system, a searching financial supervision, modern business methods, economy and efficiency * * * The business of the State of California is now conducted upon approved modern lines and conducted as efficiently and as economically as any systematic and scientifically managed private enterprise.

We have devoted space to recording the achievements of this board, since this body, both in the character of its status and accomplishments, furnishes such a valuable demonstration of need for an organ of this kind if the establishment of a budgetary system is to accomplish its real purpose, that of securing an efficient and economical administration of public affairs.

Illinois, acting six years later than California, must be ranked with that state in respect to action having for its purpose to bring into existence a strong service of general administration. That state, as has been pointed out, is the one American commonwealth which has courageously reorganized her administrative system upon an integrated system. In doing so she appreciated the necessity for vesting power in some authority to secure a proper correlation of existing services and work and a unification and standardization of financial practice and procedure. To obtain this end she made of

the department of finance what is practically a bureau of overhead administration in respect to financial matters. Not only is this department specifically made the agent of the Governor for the preparation of the budget and given a special officer, known as superintendent of the budget, to have direct charge of this work, but to it is entrusted the duty of prescribing the system of accounting and reporting to be followed by all services of the state, of examining and auditing of accounts and claims, of prescribing uniform rules to govern purchasing operations, of maintaining controlling accounts, of preparing consolidated financial statements and reports and, to use the words of the act, "to investigate duplication of work of departments and the efficiency of the organization and administration of departments and to formulate plans for the better coördination of departments."

As a result of this action taken in connection with the establishment of an integrated administrative system and the imposition upon the Governor of the duty to formulate and present the budget, Illinois has an exceptionally satisfactory system in so far as the problem of securing a properly prepared and administered budget is concerned.

Wisconsin, in making provision for this phase of the budgetary problem, though following California and Illinois in providing for a special organ of budgetary and general administration, has given to this organ quite a different composition. The California board, it will be remembered, is composed of three appointees of the Governor having no other official duties, while the Illinois service is one of the administrative departments of the government. The Wisconsin Board of Public Affairs, as it is designated, consists of ex-officio members representing the legislative and executive branches of the government and three persons appointed by the Governor with the approval of the senate, representing what may be termed the outside public. The legislative representatives are the presiding officers and the chairmen of the finance committees of the two houses. The executive repre-

sentatives are the governor and the secretary of state. The powers of this body as a bureau of general administration though possibly not plenary, as is stated of the California board, are nevertheless very comprehensive. Thus, after conferring full powers upon the board to make inquiries regarding the organization and methods of work of all state departments and institutions, the act provides that:

(1) The board shall have such supervision of every public body as is necessary to secure uniformity and accuracy of accounts. It may inquire into the methods of conducting the affairs of any public body; it may prescribe and direct the use of such forms of accounts as may be necessary to carry out the purpose of this chapter; it may prescribe and direct the use of standards and records of efficiency of employees; it shall inaugurate, supervise and conduct adequate systems of examination and inspection of accounts of every such public body, it may cause to be prepared suitable blanks, books and records for carrying out the purposes of this chapter; and shall, when necessary, furnish such blanks and records to any such public body; provided, that when the expense of such blanks, books, or records has been charged against the appropriation for the board of public affairs the secretary of state shall charge the cost of supplies so furnished against the general appropriation account of the public body receiving the same and shall credit the appropriation of the board of public affairs with a like amount.

(2) The board shall devise for all public bodies uniform systems of accounts and uniform accounting procedures adequate to record in detail all transactions affecting the acquisition, custodianship and disposition of values, including cash receipts and disbursements, and every such public body shall keep its accounts and maintain its accounting procedure accurately and faithfully as prescribed and directed by the board.

Following this the board is specifically entrusted with the duty of formulating and submitting to the legislature a budget with supporting documents. The fact that this board has independent powers, both in respect to the formulation of a budget and as a bureau of general administration, instead of

being the agency through which the Governor might perform these functions, has already been commented upon as doing violence to the principle of an integrated administrative system with the Governor as its responsible head.

Other states which have pursued the policy of establishing special budgetary boards or commissions have, as stated, created services analogous to those of the three states just described. In no case, however, have they traveled as far along the road towards bringing into existence a strong bureau of general administraton as these states. It is to these states, therefore, that one should look for guidance in working out this phase of budgetary and administrative reform.

CHAPTER XI

COMPARATIVE ANALYSIS OF BUDGETARY LEGISLATION OF THE STATES: LEGISLATIVE ACTION UPON THE BUDGET

The establishment of a proper budgetary system has, as has been pointed out, two phases: that of securing a properly formulated budget and that of providing a proper system for taking action upon such budget. Having described in general terms the provisions of the budget acts of the states relating to the first of these phases, it remains for us to consider the provisions that have been made in respect to the second.

Did space and time permit, it would be of great interest to study the legislative procedure employed in all of the states for the handling of money bills. No such attempt, however, is here made. All that is attempted is to describe the action taken by the states in respect to this phase of the problem of budgetary reform as contained in the recent laws reproduced by us having for their specific purpose the introduction of a budget system.

Distinction between a Budget and Revenue and Appropriation Acts. In providing for the procedure to be employed in taking action upon a budget the point of first importance is the recognition of the distinction between a budget and the bills employed to put the budgetary proposals into effect. The budget is, or should be, purely an information document. As such it should present data regarding financial operations in the past, present treasury conditions and proposals for the future in all practicable detail. To appropriate funds in any such detail would result in depriving the administrative authorities of practically all discretionary au-

thority and make certain that allotment of funds made would not correspond to the real necessities of the services. The failure to make this distinction and the use of the budget practically as an appropriation bill have been responsible for not a few budgetary systems failing to give satisfactory results in operation. It is highly desirable, however, that the appropriation bill shall conform as regards the general principles of classification of items with the budget. This can be secured by having the itemization in the appropriation bill only go so far as significant totals and sub-totals as they appear in the budget.

Though few of the acts that we have been considering contain specific provisions regarding the character and form to be given to appropriation bills, most, if not all, of them are so worded as to make it clear that these documents are to be quite distinct from the budgets. The mistake made by a number of municipalities in treating their budgets practically as appropriation bills has thus been avoided. This is especially seen in the provisions, to which attention will next be directed, directing the authority to whom is entrusted the duty of submitting a budget to submit in conjunction therewith a budget bill.

Distinction between General and Supplemental Appropriation Bills. Another principle of budgetary legislation which it is important to have observed is that of having all appropriations for the support of the government provided for as far as is practicable in a single appropriation act. This is desirable in order to preserve the unity of the task of financing a government which it is one of the main purposes of a budgetary system to secure.

This principle is definitely recognized by the legislation of a considerable number of states through the distinction that is made between what are known as general appropriation or budget bills and supplemental appropriation bills and the provision that as far as possible all appropriations for the opera-

tion of the government shall be contained in the former bills.

The four states, Maryland, Delaware, New Mexico, and Utah, constitute, as has been pointed out, practically a class to themselves in respect to the character of their budgetary legislation. They represent the ones which have adopted the budgetary principles set forth in the constitutional amendment enacted by the state of Maryland in 1916. The acts of the three other states show plainly that they are modeled closely upon the Maryland constitutional provision. All four of these states provide that the Governor shall transmit with his budget a "budget bill" which it shall be the duty of the presiding officers of the two houses to have introduced, and which, as will shortly be pointed out, has priority over the consideration of any other measure carrying an appropriation. The Vermont act provides that the Committee on Budget, that is, the body to which is entrusted the duty of preparing the budget, shall likewise transmit with the budget a budget bill and that this bill shall contain "all the expenditures of the state in all its departments during the ensuing biennial period." The New Jersey act contains the still more emphatic provision that "no money shall be drawn from the treasury except by the general appropriation bill and it is the intent of this act that no supplemental deficiency or incidental bill shall be considered." The New York act provides that the committees to which is entrusted the duty of preparing the budget shall also prepare a budget bill, and the Arizona act that a dummy budget bill shall be drafted by the state auditor and attorney general.

Undoubtedly, were it practicable to examine into the legislative procedure of all of the states, it would be found that, though there is no express statutory command to this effect, the practice of providing for all the expenses of the government as far as possible by a single appropriation bill is followed in many cases.

Special Procedure for Enactment of Supplemental Appropriation Bills. The distinction that is made between the

general appropriation bill and supplemental appropriation bills, however, goes much further than this. It is indeed made the basis of the whole appropriation system of the states that have adopted it. All four of the states falling in what may be termed the Maryland group thus provide that consideration of no supplemental appropriation bill, that is, any bill other than the budget bill carrying an appropriation or of a nature that will require the making of an appropriation to carry it into effect, will be in order until final action is had upon the budget bill in both houses. Not until definite provision has been made for the general expenses of the government is it competent for the legislature to give consideration to other appropriation measures.

This is but one of the safeguards set up to hold in check the evil of special appropriation acts. The acts contain other provisions having for their purpose to make difficult the passage of such acts. The Maryland constitutional amendment thus provides that not only shall neither house consider any other appropriation until the budget bill has been finally acted upon by both houses, but that no such other appropriation shall be valid unless it is provided for in a separate bill, limited to some single work, object or purpose, which bill shall provide the revenue necessary to pay the appropriation by the imposition of a tax, direct or indirect, to be laid and collected as shall be directed in the bill, and that this bill shall not become a law unless it is passed in each house by a majority of the whole number of members elected or determined by a recorded yea and nay vote on its final passage.

The purpose of these provisions is evident. By requiring that each appropriation shall be provided for by a separate bill it is hoped to do away with log-rolling. By the provision that a special tax must be levied for meeting the appropriation, those standing sponsors for the bill must assume responsibility for an increase in taxation before their constituents. It would seem that under these provisions few special

appropriations of the pork barrel type would get through.

The provisions of the other three states are not so drastic but are along the same lines. The Utah act thus substantially reproduces the Maryland provisions with the exception that the supplementary appropriation bills need not provide for the levying of special taxes to meet the appropriations if there is free money in the treasury available for that purpose, while the Delaware and New Mexico acts content themselves with the provision in the case of the former state, that "each supplementary appropriation bill shall, by its provisions, provide or designate the source from which the money therein appropriated is to be derived" and, in the case of the latter state, that "each and all of such further or other appropriations shall then be made by separate bills, each embracing but one subject."

Right of Legislature to Modify Budgetary Proposals. Much the most important question, however, that is raised in respect to action upon a budget by a legislature is that of the powers that that body shall have to modify budgetary proposals as formulated by the Governor or other budgetary organs. It is hardly necessary to say that the principle that has prevailed universally in the United States in the past is that the function of determining what revenues shall be raised and what funds shall be voted rests chiefly in the legislature. As the result of evils which have accompanied this system and which it is unnecessary to recite here, there has arisen a demand that this power of the legislature to modify budgetary proposals be limited. Up to the present time but three states, Maryland, New Mexico and Utah, these being three of the four states which we have stated constitute a class to themselves as regards the character of their budgetary legislation, have translated this demand into positive action. Of these three the action of Maryland is much the most important since that state was the first to take action and such action is unique in that it was accomplished through a formal amendment of the state constitution. The action of the other two states was modeled closely upon that of Maryland. The

importance of their action warrants our reproduction here in full of the provisions of the acts relative to this matter. They are as follows:

Maryland. The General Assembly shall not amend the budget bill so as to affect either the obligations of the state under Section 32 of Article III of the Constitution, or the provisions made by the law of the state for the establishment and maintenance of a system of public schools, or the payment of any salaries required to be paid by the state of Maryland by the constitution thereof; and the General Assembly may amend the bill by increasing or diminishing the items therein relating to the General Assembly and by increasing the items therein relating to the judiciary, but, except as hereinbefore specified, may not alter the said bill except to strike out or reduce items therein, provided, however, that the salary or compensation of any public officer shall not be decreased during his term of office; and such bill when and as passed by both houses shall be a law immediately without further action by the Governor.

Utah. The State Legislature may not alter said [budget] bill except to strike out or reduce items therein; provided, however, appropriations necessary for the payment of interest or principal due on the public debt shall not be reduced or eliminated; and provided further, that the salary or compensation of any public officer shall not be decreased during his term of office.

New Mexico. The Legislature shall not increase the amount of any items covered by appropriation bills as submitted by the Governor, other than those covering items for the Legislature or the Judicial Department, but may strike out or reduce any item or items contained therein.

From the foregoing it will be seen that these three states have adopted substantially the British system of an executively formulated budget that may not be increased by the legislature. Owing to the principle of the separation of powers between the legislative, judicial and executive branches of government which obtains in the United States, special exception has, however, to a certain extent been made in the case of appropriations proposed for the first two branches. In the

budget acts of these, as well as other states, provision has been made that in formulating the budget the items for one or both of these branches shall be inserted in the budget as they are submitted by the proper authorities representing these branches. If we consider these provisions in connection with those governing the enactment of special or supplemental appropriation bills, it will be seen how far these states have traveled along the road of bringing into existence an effective budgetary system.

Provision for the Allotment or Transfer of Appropriations. Mention has been made that one of the most important special problems involved in the framing of appropriation acts is that of determining the extent to which appropriations shall be itemized. The problem here presented is that of harmonizing legislative control in respect to the purposes for which money voted shall be expended with executive discretion in the making of such expenditures. Complete legislative control can of course be secured by itemizing appropriations in detail; that is, by enacting what is known as a segregated budget bill. The objections to this policy are however obvious. It is manifestly impossible to foresee months or a year in advance what are going to be the particular needs of the several services; and, if administrative heads are not given a reasonable discretion in respect to the expenditure of funds it is certain that they will not be able to administer their services either efficiently or economically. The grant of too great latitude to administrative officers, on the other hand, means that the legislature abdicates to that extent the power to determine how moneys shall be expended and throws open the door to possible administrative abuses.

Three ways of harmonizing these conflicting considerations are open. One is by installing a system of accounts and reports which, through the budget, will permit the legislature to know in detail how money voted has been expended. Another is by establishing a system under which lump sum appropriations shall be formally allotted to more specific heads by ad-

ministrative officers and accounts be kept of such allotments in the same way as of appropriation heads. And a third is by setting up a system under which transfers of funds may be made from one appropriation head to another, upon the approval of some authority being had.

The great majority of the budget acts of the states under consideration in this volume either make express provision for perfecting the system of accounting and reporting of the state or vest authority in some officer to take steps in this direction. Many other states in pursuance of laws already on the statute books are likewise doing much in this way. It would take us too far afield to attempt to characterize all these acts.

It is, however, of interest to draw attention to the fact that certain of the states have made provision for the adoption of an allotment or transfer system such as has been mentioned above. Thus the New Jersey act contains the following section:

> In order that some degree of flexibility in appropriations may be had, any department or other state agency receiving an appropriation by any future act of the legislature may apply to the State House Commission for leave to transfer a part of any item granted to such department or agency to any other item in such appropriation. Such application shall only be made during the current year for which the appropriation was made, and if the State House Commission shall consent thereto; it shall notify the Comptroller thereof in writing, whereupon the Comptroller shall place the amount so transferred to the credit of the items so designated; provided, however, that no sum appropriated for any permanent improvement shall be used for maintenance or for any temporary purpose.

The Maryland budget bill for 1919 and 1920, the first to be formulated under the new budgetary provision of the constitution, contains the following section making detailed provision for securing flexibility in the expenditure of appropriations through a transfer system.

Sec. 3. *And be it further enacted,* That the items and amounts which hereinafter follow the sums appropriated, and which are, respectively, entitled "Schedule," do not constitute appropriations, but represent the initial plan of distribution and apportionment of the appropriations to which they, respectively, refer. Each appropriation shall be paid out only in accordance with the Schedule therefor, if any, unless such Schedule be amended in the following manner: Any department, board, commission or officer may at any time submit in writing to the Governor an amended schedule for the distribution and apportionment of the appropriations made to it or him, or any unexpended balance thereof, different from the manner set forth in the Schedule contained in this Act. The Governor may himself make such an amended Schedule, if the same be necessary, with respect to the appropriations for the Executive Department. If the Governor shall make such an amended Schedule with respect to the appropriations for the Executive Department or if he shall approve an amended Schedule when submitted to him as aforesaid, then he shall transmit the same with his certificate of approval to the Comptroller, and thereafter the appropriation, or the unexpended balance thereof, shall be paid out in accordance with such amended Schedule. Any amended Schedule, so submitted to the Governor may be withdrawn and amended to meet any objections of the Governor, and then resubmitted. Any such amended Schedule may be again amended, at any time, in like manner and with like effect. All amendments in Schedules thus made or approved by the Governor shall be reported by him to the next session of the General Assembly.

In Ohio, according to the budget commissioner appointed by the Governor to assist him in the work of formulating the budget, special attention has been given to working out this problem of securing flexibility in the expenditure of funds granted without destroying the control over expenditures that should always be preserved. The means employed in meeting this problem have been described by the budget commissioner in a passage of his paper on the Ohio budget system, already reproduced, but which will bear statement again in this place. After reciting the advantages and disadvantages attaching to both lump-sum and detailed appropriations he says:

Not until the budget was established in 1914 was any attempt made to combine the virtues of the two systems and eliminate their vices. In order to avoid the evils of both lump-sum and specific appropriations, appropriations were made specifically but were provided with the necessary degree of flexibility. This was done by means of the transfer system which made it possible to appropriate, instead of maximum estimates, those slightly above the minimum. Provided with the privilege of transfer, departmental officials could reduce their estimates on each item knowing that according to the "laws of probability" all projects would not cost the maximum, and that the small margin of safety could be transferred from those which cost the minimum to the few that actually approach the maximum. The result of following this plan was economy and smaller appropriations for specific items, and in consequence a smaller budget. Along with this a check was provided on expenditures for the reason that the request for a transfer invited investigation by the Emergency Board, and required a statement of explicit reasons why the fund to which the transfer was sought was not adequate.

The Tennessee act makes provision for securing flexibility in the expenditure of funds through permitting transfers between appropriation heads upon the approval of the State Budget Commission being obtained and through placing at the disposition of the Budget Commission an emergency fund to be used by it in meeting emergency claims not covered by the budget bill. The sections of the act covering these two points read as follows:

* * * which budget shall include * * * an estimate for an appropriation for emergency purposes for the ensuing biennial period; * * *

The money appropriated for emergency purposes shall be expended only by the Budget Commission for the payment of emergency claims against the state for which no specific appropriations shall have been made, and in every such case the Budget Commission shall certify in writing to the Treasurer and Comptroller that such a claim is an emergency claim and state their reasons in writing for the expenditure from said emergency fund.

* * * * * * *

No transfer of funds appropriated for any item in the appropriation for any state office, department, commission, board or institution, shall be made except upon the written request of the chief officer or officers of such state office, department, commission, board or institution, to the Budget Commission, which request shall be granted in writing by the Budget Commission if, in its judgment, such a transfer of funds is deemed necessary or expedient.

The Minnesota act provides for an allotment system in the following way:

It shall be the duty of each disbursing officer or board, within thirty days after the passage of any appropriation by the state legislature to allot within each appropriation to be expended under his or its direction the amounts, if any, for the several purposes set forth in the "budget" submitted to the legislature, not inconsistent with the terms of the appropriation act. Subject to the restrictions of the appropriation act, allotments may, in case of necessity, be altered by the officer or board charged with the disbursement thereof. All such allotments and any changes thereof shall, as soon as made, be filed with the state auditor.

Right of Governor and Departmental Heads to Be Heard by Legislature on Budgetary Proposals. Another feature of legislative procedure governing the consideration of budgetary proposals covered by some of the acts is that giving to the Governor and heads of departments and institutions the right to be heard by the legislature in support of their proposals. The Maryland constitutional amendment thus provides that—

The Governor and such representatives of the executive departments, boards, officers and commissions of the state expending or applying for State's moneys, as have been designated by the Governor for this purpose, shall have the right, and when requested by either house of the legislature, it shall be their duty to appear and be heard with respect to any budget bill during the consideration thereof, and to answer inquiries relative thereto.

In this provision special attention should be directed to the fact that under it heads of departments and other services do not have the right on their own initiative to appear before the legislature but must be directed to do so either by the Governor or one of the legislative houses. This is a very wise requirement since one of the evils of the old system was the extent to which department and institution heads went to the legislature to lobby for their particular interests. To permit them to appear without the wish of the Governor or the legislature would tend to lessen the responsibility of the Governor for the budget and thus defeat in a measure the whole purpose of the reform.

The Delaware and New Mexico acts contain provisions similar to that of Maryland giving to the Governor and heads of departments and institutions the right to appear before, and be heard by, the legislature when the budget bill is under consideration with the exception that no provision is made that the heads of departments and institutions must first receive the authorization of the Governor before they can exercise that right. The Utah act contains no provision regarding the right of the Governor or other administrative officers to appear before the legislature. The New York act contains the provision that the heads of departments and institutions shall have the right to be heard by the legislature when the budget bill is under consideration but makes no mention of the Governor having the same right. This omission is undoubtedly deliberate since that act is based on the principle of vesting responsibility for the formulation of the budget in the legislative rather than the executive branch of the government.

CHAPTER XII

CONCLUSION: GENERAL SUMMARY

When the writer began the preparation of the present volume he was, of course, aware that a certain amount of work had been projected, or even accomplished, by the states looking to the introduction by them of a budgetary system. The rapidity with which the movement for budgetary reform, once started, has spread, and the remarkable progress that has already been achieved came to him, as they doubtless will to the reader of the foregoing, as a revelation.

In our comment on the character of the action taken by the individual states we have sought to make known in each case the extent to which such action fails to correspond to correct budgetary principles or falls short of providing for all the features that must be covered if a thoroughly satisfactory and workable budgetary system is to be established. Criticism of this kind must not, however, be interpreted as indicating that the states have failed in their efforts. The fact is quite the contrary. In almost all cases the action taken has represented an advance toward the goal sought. The only general failure on their part has been that, with few exceptions, they have failed to appreciate the many different factors that are involved in the problem—the necessity for an integrated administrative system, with the Governor definitely installed at its head as administrator in chief; the requirement that estimates for expenditures for a fiscal period should go forward as a consolidated statement properly classified and analyzed and be accompanied by supporting data regarding revenues and expenditures in the past and present treasury conditions; the imperative necessity that the duty of formulating and pre-

senting this financial report and program shall be vested squarely in the hands of the Governor; the necessity for the creation of a special organ under the immediate direction of the Governor, through which the latter can exercise his powers as head of the administration, keep in current touch with the organization, methods, work, and needs of the several services subject to his general direction, supervise and control them, and thus be in a position intelligently to pass upon their expenditure estimates, and, upon them as a basis, to formulate his own work program; the need for a uniform system of accounting and reporting that will currently produce the information required for budgetary purposes; the special problems of the character and form of appropriation acts, the extent to which appropriations shall be made under general heads, or itemized, and provision be made for securing flexibility in the expenditure of funds granted through the establishment of a system of transfers or otherwise; and, finally, the whole great question of the power of the legislature to modify budgetary items and the procedure to be employed by them in considering and taking action upon such proposals.

A study of the steps taken by the several states shows that few, if any, have adequately covered all of these points. It would be a remarkable fact if they had done so. The important thing is, however, that so large a number have by their action definitely recognized their dissatisfaction with existing conditions and seen in the establishment of a budget system the means through which improvement is to be accomplished. In this, as most other movements for governmental reform, the vital thing is to get established the conviction on the part of those responsible for the conduct of affairs that present conditions are unsatisfactory and the adoption by them of the general principle to be followed in bringing about an improvement in such conditions. This position may now be said to be definitely attained. Were it possible to secure complete data regarding not only action had but proposals for reform in all the states, it would probably be found that there is not

a single state in which the introduction of a budget system is not being actively urged. As it is, in considerably more than half of the states, as shown by the present volume, positive action has been taken in this direction.

A feature of this action that warrants special notice is the recentness with which it has been taken. Practically all of the legislation had dates from the last four or five years and much of it was enacted in the past year. This means that the movement for reform, notwithstanding the amount of work actually done, may be deemed to have but barely begun, and that, consequently, still more vigorous efforts may be confidently anticipated.

Another aspect of the work should be commented upon by way of a caution. It will be noted that the acts of the several states providing for the introduction of a budgetary system vary widely in respect to the extent to which the details of the system to be established are set forth in the acts themselves. Some of the acts content themselves with the bare provision that the Governor shall prepare and submit a budget to each session of the legislature and that he shall have the power to require of the spending departments such information as he needs for that purpose. Others specify in detail the procedure to be followed by the departments in preparing and submitting their estimates to the Governor, the manner in which the budgetary data shall be classified, the character of the supporting financial statements that shall be incorporated in the budget, etc. It would be a mistake to assume that the latter class of acts necessarily provide for, or will result in, a more complete or satisfactory budgetary statement and procedure than the former. There is, of course, an advantage in setting forth in detail the system to be followed, since thereby the will of the legislature is more clearly made known and the obligations imposed more definitely stated. On the other hand, unless great care has been taken in working out these details and the nature of the problem has been clearly understood, there is danger that the hands of the execu-

tive will be unduly tied in his efforts to work out a proper system. Whether the more detailed act is superior to the more summary one, or not, thus depends wholly upon the character of its provisions.

This suggests a vital feature of the whole budgetary problem. In the passage of an act providing for the adoption of a budgetary system a state has made but a first step. There still remains the important task of organizing and administering this system in practice. A budget, if it is to accomplish its purpose, must be a very carefully prepared document. In our volume on the "Problem of a National Budget," we have pointed out that for administrative and budgetary purposes it is desirable that information shall be available regarding expenditures from the five standpoints of funds, organization units, activities, character of expenditures (i.e. whether the expenditures are for capital outlay, fixed charges or current expenses) and objects of expenditure; that the system of accounts and reports shall be so devised as to permit of the classification of expenditures from these several standpoints; and that in the formulation of the budget one of these standpoints shall be made the primary principle of classification and rigidly adhered to, information from the other standpoints being made available through supporting analyses.

With the principle of a budget once established by law there thus still remains the task of working out a system of accounting and reporting and of estimating future needs that will ensure that the budget as submitted to the legislature will be in proper form, and especially one that will enable the legislator with little knowledge of accounting methods to understand clearly the showing made. No single state has as yet worked this problem out in a satisfactory manner and much the most important work to be done during the next few years lies in this field.

APPENDICES

APPENDIX I

Extracts from Report of Committee on Finances, Revenues and Expenditures, New York Constitutional Convention, 1915, Favoring Adoption of Constitutional Amendment Providing for a Budget Setting Forth Defects of Existing Appropriation System in New York State.

I. Lack of Responsible Revision of the Departmental Estimates

Under the laws of 1910, chap. 149, the annual estimates of the various departments, bureaus and commissions of the state are to be submitted by them to the Comptroller on November 15 of every year for transmission to the legislature. The Comptroller has no power to revise or reduce these estimates when submitted, or even to compel their timely submission. His only function is to assemble them and transmit them to the legislature. No other executive officer has any power to revise or coördinate them.

As a result, they are made up by the various bureau chiefs, who consider only their desires without regard to the revenues or other needs of government, and as a result the aggregate of these estimates mounts into a sum which bears no responsible relation either to any consistent plan for expenditures for the coming year or to any plan for raising revenue. In size they are limited only by the enthusiasm of each bureau chief for the activities of his own bureau.

The evil is very much aggravated by the fact that there is no adequate organization of these bureaus and commissions into a limited number of departments. The estimates of the various officers, instead of being sent to the Comptroller through a departmental chief, who can revise and reduce the estimates of his subordinates, are transmitted directly to the Comptroller. Almost the only exception to this lack of sys-

tem is in the somewhat limited oversight exercised by the Fiscal Supervisor of Charities.

As a result, when these estimates reach the legislature they are regularly so high that very little attention is paid to them. They are necessarily treated as mere requests for money desired, rather than as responsible estimates of the amounts required. The legislature is therefore itself forced to undertake the work of proposing and formulating for the first time a program of the annual expenditures.

II. The Legislature is not the Proper Body to Prepare a Financial Plan of Expenditure.

Your committee has reached the conclusion that the legislature is not the proper branch of the government to initiate such a program of annual expenditures, and that in attempting to do so it labors under the following insuperable disadvantages:

(a) Its proper work is legislative; it has no administrative control or authority over the bureaus and departments through which the moneys of the state are expended and necessarily cannot have such authority. It is therefore without the consistent regular information as to operating difficulties, problems, methods and costs which would naturally come to the superior officer of those bureaus. Instead, it must act upon such information as it can acquire through hearings held by committees, meeting only occasionally.

The legislature cannot exercise executive supervision to compel a given bureau to try to produce the desired result with less money by adopting a more efficient method. It cannot exercise executive authority to reconcile conflicts between overlapping and encroaching bureaus, so as to prevent duplication of effort and expense. In a word, it cannot produce the constant necessary team play and coöperation which is essential to economy.

(b) The legislature is under the further disadvantage that its members, instead of being responsible solely to the state as a whole, are each responsible to and dependent upon a single district of the state. A financial program made up in the first instance by the legislature, necessarily tends to represent a compromise or bargain be-

tween different districts, rather than the viewpoint of the state as a whole. The treatment of the multitude of separate items necessarily tends to that process of give and take which has become so common in America as to be stigmatized by the terms "log-rolling" and "pork barrel."

(c) In the third place, the very fact that the program is made up in the legislature at once tends to shield it from real criticism by the legislature. No body can adequately criticize its own work. This applies both to criticism by the majority and minority parties. A real budget program presented by the executive to the legislature should receive, and in other countries regularly does receive, criticisms and suggestions, even from its own party members. The viewpoint of the man who grants money is different from the viewpoint of the man who asks for it, even when they both belong to the same party. Under our methods the man who makes up the program is the same man who afterwards leads the debate on the majority side. No criticism whatever from him can be expected. It is his own program. On the other hand, so far as the minority is concerned, they also have participated in the work of the committees and, to a certain extent, their views have also been demonstrated. And even in those cases where they differ with the program inadequate opportunity for the discussion of the issue thus presented has been afforded under our methods, as will be shown under the following subdivision. As a result, the budget debates of the legislature, after the appropriation bill has been made up, have become formal and perfunctory.

(d) Finally, the fact that no program for consideration and discussion takes form until the legislature itself makes up the appropriation bill, tends to destroy publicity and opportunity for debate. Instead of there being an entire financial program laid before the legislature by a responsible executive early in the session with which every citizen in the state can familiarize himself, comparing its items with the corresponding expenditures of preceding years, and as to which, therefore, he can put himself in a position to understand the issues and debates, no citizen now in the ordinary course learns anything of any

program until the Ways and Means Committee reports the appropriation bill so late in the session that there is no opportunity for effective suggestion or criticism. The bill has then received the approval of the various elements and leaders in committee and the subsequent discussions mean little. This evil has been accentuated by the misuse of the emergency message, under which, during the past twenty-one years, every appropriation bill, except one, has been hurried through in the final hours of the session without the necessity even of being printed and lying on the desks of members for three days. We think it is safe to say that under ordinary conditions not only is the public ignorant of the items of appropriation bills until they are enacted into law, but the same ignorance applies to the members of the legislature outside of the one or two men who control the conduct of the bill.

It is therefore almost impossible to create a real issue, a real debate, on the subject of economy, and without the publicity of such an issue and such debate your committee does not believe that real economy can be attained.

III. No Complete Financial Program or Budget Exists

The third general criticism which your committee makes of our present system is that nowhere, either in the legislature or outside, is there now ever formulated or made public a really complete financial plan or budget. Such a budget, as it is universally understood in communities or institutions which practice budget-making, should contain the following essential elements:

(1) A responsible estimate of the proposed expenditures for the coming fiscal year.

(2) Financial statements of the current resources and liabilities of the state, including its debts and various funds, and including, for the purpose of comparison, a statement of its current expenditures and revenues in past years.

(3) A proposition of the new measures of taxation, if any, which will be necessary to meet the proposed expenditures of the coming year.

To see how far short we fall now of having any such information available it is only necessary to recall the issue

which arose last winter between the present state administration and its predecessor over the question as to whether a direct tax of $18,000,000 was needed. When it is recalled how difficult it was for the ordinary citizen to determine the rights of a controversy over the necessity of a tax amounting to nearly 30 per cent of the total revenues of the state, one can form some conception of the confusion of our present methods and the desirability of a complete annual budget scientifically prepared.

IV. The Necessity of Restrictions Against Additions to the Budget on the Floor After It Is Prepared

The fourth general criticism which your committee makes is that there is no restriction now imposed against additions at the behest of individual members being made to the budget after it is formulated and proposed by its framers. Your committee believes that the absence of such restrictions would be fatal to any budget system. The spirit of mutual accommodation is necessarily so strong between members of all legislative bodies that without protection against its effect the best-laid program of financial expenditure is liable to destruction on the floor of the Houses. Your committee learned of an instance last winter where an appropriation, the real though not ostensible purpose of which was to help a member of the legislature to re-election in his own district, after it had been rejected by the Finance Committee of the Senate, was forced through on the floor of that body by the united vote of both parties, the leader of the majority and the leader of the minority alone voting against it.

Restrictions against such increases or additions exist in the legislature of all other English-speaking countries. They originated in the oldest standing rule of order of the House of Commons, dated July 11, 1713, which forbids that body to raise the amount of items presented in the budget. Similar restrictions exist in the constitution of the Dominion of Canada as they did in the constitution of the Southern Confederacy. They are a familiar and most successful feature of the charters of all the largest cities of this state and your committee believes they embody a principle which is indispensable to successful budget practice. This principle has been stated by one writer as follows:

"Upon the creation of just such a situation as that, the efficiency of representative government depends. Its essential principle is to fix the representatives so that *they* cannot put their hands into the till; they will keep a good watch over those who *do* handle the money. Congressmen will take a very different view of pork barrels from that now held when they can no longer help themselves to the pork." (Ford on the *Cost of our National Government*, p. 115.)

V. The Present System Reverses the Real Relation of the Executive to the Legislature and Surrenders Important Powers to the Executive

Your committee further finds that the system of permitting the governor to veto items in appropriation bills prepared by the legislature has resulted in transferring to the governor, to a large extent, the historic function of the legislature of holding the purse strings of the state. The present system presents a singular reversal of the proper relation which should maintain between the executive and the legislators. Instead of the executive coming to the legislature with a request for funds, which it is the province of the legislature to pass upon and either grant or refuse, our system has gradually resulted in the legislature presenting to the executive appropriation bills which he is expected to reduce. Instead of the man who is to spend the money presenting to the body which is to grant the money his request for their final decision, the latter body, in substance, draw their check in blank and present it to the executive for him to determine how much of it he cares to use. Your committee finds the present system has resulted in the legislature, under pressure of local and individual interests, passing many appropriations at larger figures than they believed to be proper, in reliance upon the hope that the governor would afterwards prune them down to the proper dimensions. In other words, our attempt to accomplish by the use of the executive veto what elsewhere has been accomplished by the legislative rule against additions to the budget mentioned under subdivision IV above has very nearly resulted in an abandonment to the executive of the priceless legislative function of holding the purse. Our legislatures, instead of placing upon themselves during their own deliberations a self-

denying ordinance, like the rule of the House of Commons above mentioned, have left it to the governor to make the necessary corrections afterwards.

Not only is our system an abandonment of essential legislative power, but it is open to other grave dangers to which a proper system would not be open. Instead of presenting his budget at the beginning of the session, the governor uses his veto power, after the session is over, and can make it an instrument of punishment or reward. Instead of presenting a public plan of expenditures and revenue which can be subjected to the fullest publicity and the most searching scrutiny, and where an attempt to recommend expenditures for other motives than the interest of the state as a whole could be discovered and discussed, the governor exercises his veto power in a series of disconnected acts under circumstances which make such discovery less easy.

VI. The Present System Prevents Any Real Defense or Criticism of the Budget in Public

Finally, as a result of our present method, the members of our legislature are deprived of adequate opportunity to ask questions in public concerning the estimates of the men who know most about them.

In those communities where the budget is presented by the executive to the legislature, it follows as a natural matter of course that the men who have prepared the estimates and the financial program present themselves personally before the legislature to defend and to be examined about them. The legislature thus has an opportunity to learn at first hand the propriety of the requests which are made and to cross-examine the men who make them under such circumstances that the public can get a clear conception of the strength and the weakness of any proposed budget. Such a method of public criticism can accomplish results which are quite impossible to our present system of committee work, which, at best, is conducted without effective publicity.

APPENDIX 2

Summary of Findings and Recommendations Relating to State Finances and Budget Procedure as Submitted to the Survey Committee of State Affairs, Colorado, by its Staff, December, 1916.

1. Summary of Findings.

The study of state finances and budget procedure, as outlined in this report, has necessarily been restricted to certain phases of the subject owing to the very short time available for the work. It is believed, however, that sufficient ground has been covered on which to base the following conclusions and recommendations:

a. The legislature, in its handling of estimates of expenditures and revenues, and compilation of the data for the passing of appropriation bills, etc., is assuming each biennial period a function which is inherently executive and not legislative.

b. The legislature has failed to perform this function in the manner which its fundamental importance to the business of the state government demands. The legislature cannot do otherwise than fail in this without taking over the whole executive function of the state.

c. The members of the legislature are in the main unfitted by training and experience to prepare a state budget and, as nearly as can be gathered, recognize their limitations in this respect and the weaknesses in the present system, and would welcome a change from a duty which would appear to have been thrust upon them rather than assumed as a legislative function.

d. Further, even if the legislature were competent to prepare a state budget (which is an almost impossible assumption, from the short period of its session and meeting only once in every two years with a large percentage of new members), it would be putting the "cart before the horse" and would encourage lobbies, and substitute irresponsible influence for reason and sentiment for fact, and guesswork for scientific data.

e. Moreover, the present practice of the legislature concerning the preparation of a state budget and financial program divides responsibility as between the legisla-

ture and the chief executive of the state, whereas, as a matter of fact, the responsibility under this system should rest entirely on the legislature.

f. There is not a published statement or report anywhere in the state government showing for a biennial or other period the exact financial status of the government, how much it costs to run the government or the subdivisions thereof, what property it has, or how much is spent for salaries alone by the government each year.

g. It is difficult, and impossible in some cases, to learn from published statements or reports what the cost of even a single department or institution of the government may be for a biennial period. * * *

h. The central accounting system of the government is an accounting system in name only. Accounting is an exact science. The only exactness in the central accounting system of the state is confined largely to seeing that cash gets into the proper account and is taken out of the proper account in accordance with law. It is absolutely incapable of furnishing the data necessary to the chief executive of the state or to the legislature in the preparation of a budget each biennium without costly analysis of fund accounts, vouchers, etc.

i. The handicaps under which the legislature labors (this is the only branch of the government which under the present organization and methods appears to be concerned with the facts of government business from an executive standpoint, which shows the anomaly of the situation) are insurmountable in any effective administration of the state finances. A sound accounting system is the first step in a sound and efficient financial policy.

j. The law classifying appropriations and providing for an order of payment thereof is largely the direct cause of excessive appropriations, i. e., of general revenue appropriations the total amount of which for a biennium exceeds usually by hundreds of thousands of dollars the estimated resources to pay such appropriations.

k. The provisions of law regulating the assessment, levying and collecting of taxes, and also the legal provisions establishing the fiscal year are responsible in a considerable measure for the involved condition of the state

finances and the diversity in funding state expenditures. The legislature is passing upon appropriation bills and providing for the fiscal operations of the biennial period when several months of the period have already elapsed and "short" bills are necessary in the interim. All salaries and expenses which are not statutory must be held up pending the passage of relief measures. Further, general property taxes for a fiscal year are not collected until from three to eight months after the fiscal year has closed for which they are collected or may be applied. This delay in collecting general property taxes has cost the state on an average $35,000 a year in interest charges on warrants issued against the general revenue fund.

The levying of special taxes for certain departments and institutions and the practice of permitting the almost free use thereof and of cash receipts is practically an outgrowth of the defects in the system of levying and collecting taxes, inasmuch as these departments and institutions are not restricted to fiscal year limitations in the application of their special tax collections or of their other cash receipts.

1. The present system of providing revenues from several different sources for funding state activities is directly responsible for lack of any effective central auditing control over all state expenditures or of any standards governing alike the expenditures of all departments, boards and institutions. It is very easy for the legislature in passing special appropriation or tax levy bills to avoid trouble by merely stating in the bills that the appropriations or levies may be expended for certain broad, general objects which may include anything and everything, but this does not permit of any real auditing control by the state auditor.

* * *

2. Summary of Recommendations.

Changes Requiring Legislative Action.

a. A budget, as the term is defined in the detailed report on state finances and budget procedure, should be compiled under the direction and supervision of the governor and submitted by him to each session of the legis-

lature for each biennial period. In order that the governor may be able to carry out this recommendation, it is suggested that there be created for the purpose a permanent budget and efficiency commissioner, with the necessary expert staff, qualified to make all necessary studies of every branch of the state government's activities with the object of using the results of such studies in the revision of estimates of departments, boards, institutions, etc., and the compilation of a budget.

b. All estimates for expenditures, regardless of the sources of funds by which the estimated expenditures may be financed, should be submitted by all state departments, boards and institutions to the budget and efficiency commissioner acting for the governor, and these estimates, together with estimates of receipts and with recommendations, should be compiled by the commissioner for the information and action of the governor.

c. That the state auditor should establish in his office a system of accounting and classification of expenditures which shall give the facts relating to the business of the state in such detail as will avoid unnecessary analysis of accounts in the preparation of statements of costs and other statements needed by the chief executive or the budget and efficiency commissioner.

d. That the state auditor should furnish to the budget and efficiency commissioner, acting for the governor, statements of appropriations, expenditures, contract or other encumbrances, for the biennial period preceding the meeting of the legislature, together with statements of estimated revenue for the succeeding biennial period.

e. The commissioner referred to should be empowered to make examinations and investigations of the organization of departments, boards and institutions, and of the methods and procedure of carrying on the activities of the government, not necessarily for the purpose of auditing, but for the purpose of making recommendations for promoting economy and efficiency in the state government.

* * *

Changes Requiring Constitutional Amendment.

a. The governor, and representatives of the executive departments, boards, commissions and offices designated

by the governor to appear before the legislature, should have the right, and when requested by either house of the legislature, it should be their duty to appear and be heard in defense or explanation of any budget bill during the consideration thereof.

b. Provisions should be made also for effective executive control by the governor over all executive departments, boards, commissions and offices.

c. The legislature should be restricted to reducing any item in the governor's budget for the executive branch of the government and be not permitted to raise any of those items.

d. No special bill making an appropriation should be enacted unless special provision is made to raise the revenue therefor.

e. All appropriations recommended in the budget should be authorized by and included in one appropriation act.

f. The date on which the governor shall submit his "estimates" (budget) to the legislature should be changed from "the commencement of each session" (Art. IV, Sec. 8) to some date thereafter, as may be determined by statute.

APPENDIX 3

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Contents

	Items
General References	1- 31
Special References, by States	32-132

NOTE

The following bibliography supplements the one in the volume, *The Problem of a National Budget,* which contains general references to budgetary reform in the United States and the national government in particular. The two together give, it is believed, a substantially complete list of all titles relating directly to the movement for budgetary reform in the United States so far as the national and state governments are concerned. No attempt is made to include references to budgetary reform in municipalities and counties, though this subject is covered to a certain extent by the general titles listed. Neither is any attempt made to list such documents as governors' messages in which the budget may have received incidental mention. Only those documents of this character have been included of which use has been made in the preparation of the present work.

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[Dr. Goodnow was chairman of the commission which was largely responsible for the Maryland budget amendment. In these remarks he emphasized the fact that the presenta-

tion of a comprehensive plan in a state budget system involves reissuing by some authority which has the interests of the state as a whole rather than those of a particular department or locality]

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[Recommendations regarding the budget by the governors of New York, Maryland, Rhode Island, and Massachusetts]

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[The results of a scientific examination of the budget plans used in different states and cities. In addition to setting forth the general theory of budget making, the budgetary procedure of England, France, Germany, Belgium, Switzerland, Canada, United States and the several states of the United States are described]

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["The proper function of the budget is not the reorganization of the state services, but the presentation and adoption of a plan in fiscal affairs which will insure the most judicial use of the resources of the state for the purposes most desired by the citizens of the state"]

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[Considerable attention is given in these papers to the question of a budget]

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26 Summary of budget provisions [in 14 states prepared by the Massachusetts commission to compile information

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[Current legislation in Ohio, New York, North Dakota and Illinois which, more or less, affects budgetary methods in those states]

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[An account of recent legislation governing state and local budgets]

31 —— State budget reform. Case and comment, Mar., 1917, v. 23: 813-7.
[A brief survey of state budget legislation which shows how "American states are attacking the problem of budget reform all along the line"]

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1912 has title: Report of the State board of control of California covering appropriations needed by state departments and institutions for the sixty-fifth and sixty-sixth fiscal years, with supplemental recommendations. John Francis Neylan, chairman.
The budget, as agreed upon by the state controller and the State board of control.

34 —— *Governor, 1911-1917 (Hiram W. Johnson)* Biennial message of Governor Hiram W. Johnson to the Legislature . . . 1917. Sacramento, 1917. 60 p. Budget system, p. 10-13.

35 Neylan, John F. California's state budget. American academy of political and social science. Annals, Nov., 1915, v. 62: 69-72.
[The Chairman of the State board of control of California tells how the budget idea was accepted in California and sustained by public opinion]

Colorado

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[The Survey committee recommended establishment of a permanent budget and efficiency commission. Its Report No. 6 is entitled: Report on a study of state finances and budget procedure]

37 —— —— Summary of findings and recommendations relating to the executive branch of the state government of Colorado . . . [Denver, 1916] 48 p.
"State finances and budget procedure," p. 3-7.

Connecticut

38 Connecticut. *State board of finance.* Report of State board of finance including estimates of deficiencies to Sept. 30, 1917 and expenditures for two years ending Sept. 30, 1919. Hartford, 1916. 95 p.

[All government departments and institutions are required to submit their estimates of expenditures to the State board of finance [budget board] which compiles them for publication by the Comptroller]

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"Finance administration," p. 33-73.

["The plan for organizing a department of finance proposed that there should be a state comptroller, appointed by the Governor, who should be charged . . . with the preparation of a budget of revenues and expenditures for submission to the Governor"]

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[The Secretary of the Illinois Legislative reference bureau outlines the procedure in making the state budget and some of the difficulties which had to be met]

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[Recommends an integrated administrative system with the Governor at the head, which would pave the way for the introduction of a budget]

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["Indiana can well afford to look seriously into the question of adopting a budget system for the state and for the cities and counties"]

Iowa

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[One of the recommendations was that the Governor should present a budget to each session of the Legislature]

51 —— —— —— Report [issued Nov. 12, 1914] Des Moines Register and leader, Nov. 16, 1914.

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[Reviews the recommendations of the Joint committee on retrenchment and reform for greater economy and efficiency]

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53 Kansas. *Efficiency and economy committee.* Partial report of the Efficiency and economy committee of Kansas. Topeka, Kansas state printing plant, 1916. 12 p.

[The Committee recommended a plan for a budget for the use of the current session of the Legislature, which would be a start toward a permanent and scientific system for the future]

Louisiana

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[Address delivered by the Governor of Maryland at Conference of governors, Washington, D. C., Dec. 1916. The appendix consists of the "Text of the Maryland budget amendment"]

63 Institute for public service, *New York*. Serious defects of Maryland's budget law. New York [1917] 16 p.

[A critical analysis of the constitutional amendment providing an executive budget. The comments are designed to indicate "why other states should not enact the amendment as it stands and should insist upon budget provisions that insure a fact basis for estimates, proper explanations, public hearings and adequate publicity"]

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["A constructive program for systematizing and simplifying the administration of the state's finances"]

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[A critical appraisal which pointed out the multiplicity of services and the need for the establishment of a budgetary system as a means for currently coördinating and controlling their activities]

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[This exposition was made before the committee of the constitutional convention on finances, revenues and expenditures on June 24, 1915. Mr. Saxe was a member of the Constitutional convention]

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[Criticism directed against the Governor for his failure to press the issue upon the legislature]

North Dakota

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Ohio

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Oregon

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Pennsylvania

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[The Solicitor recommends that a single State board of

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VERMONT

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